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**PERFORMANCE MANAGEMENT MODEL
FOR MANUFACTURING COMPANIES**

Master Thesis

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THESIS ACCOMPLISHMENT AND EVALUATION

The Master Thesis is developed in *Faculty of Engineering Economics and Management*.

I certify with my signature that all information sources used are included in the list of Bibliography and the thesis is original.

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ANNOTATION (Latvian)

Eduardo Turmo “Rezultātu vadības modelis ražošanas uzņēmumos”: Maģistra darbs, zinātniskais vadītājs Jana Erina, asociēta profesore, Ekonomikas zinātņu doktors -Rīga: Rīgas Tehniskā universitāte, Inženierekonomikas un vadības fakultāte, Inovāciju un uzņēmējdarbības katedra, ārzemju student departaments, maģistra programma „Uzņēmējdarbība un vadība” 2016. Maģistra darbs ir uzrakstīts angļu valodā. Tas satur 36 attēlus, 17 tabulas un literatūras saraksts sastāv no 35 avotiem. Maģistra darbs sastāv no trīs galvenajām daļām: analītiskās, teorētiskās un praktiskās daļas.

Analītiskā daļa fokusē uz koncentrētu uz esošo situāciju rezultātu vadībā Latvijā. Pirmkārt uz ekonomiskiem pētījumiem par esošo situāciju Latvijā, kā arī izskaidro rezultātu vadības teorētisko modeli, kas atbilstoši tiks pielāgots.

Teorētiskā daļa ir koncentrēta uz rezultātu vadības koncepciju. Tā izskaidro jēdzienus, svarīgos faktorus, atalgojuma sistēmu, rezultātu izpildes vadības komandu, tās priekšrocības un dažus teorētiskos modeļus.

Praktiskā daļa ir koncentrēta uz rezultātu apkopošanu SIA “JAUDA” pielietojot aptaujas anketas. Ir veikts pētījums par ekonomisko stāvokli uzņēmumā, uz ko balstoties tiek analizēti rezultāti un veiktas izmaiņas teorētiskajā modelī.

Atslēgas vārdi: Rezultāti, pārvaldība, darbinieki, uzņēmums, novērtēšana

Noslēgumā tiek dotas rekomendācijas kā uzlabot esošo rezultātu vadības modeli uzņēmumā.

ANNOTATION

Name Surname, Eduardo Turmo. Performance management model for manufacturing companies: Master Thesis/Name Surname, Jana Erina, Associate Professor, Doctor of Economy-Riga: Riga Technical University, Faculty of Engineering Economics and Management, Innovation and Management Department, Foreign Students Department, master program Entrepreneurship and Management” 2016. The Master Thesis is written in English. It comprises 36 figures, 17 tables and Bibliography consists of 35 resources. The Master Thesis, mainly, consists of three parts: The Analytical, Theoretical and the Practical part.

Analytical part focuses on the current situation of performance management in Latvia. First, an economic study has been made about the current situation of Latvia, also explains the performance management theoretical model that is going to be applied.

Theoretical part focuses on the performance management concept. It is explained the definition of it, important factors, reward system, performance management of teams, advantages of it, and how the theoretical model has been made.

Practical part focuses on the results obtained in JSC “JAUDA” with the questioners. A study of the economic status of the company is made, after that the results are analysed and corrections for the theoretical model are made.

Keywords: Performance, Management, Employee, Company, Appraisal

Finally, gives recommendations how to improve the current performance management system that the company has.

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INTRODUCTION

Performance management has become a vital aspect for the running of every organisation. The continuous intention of improve the company, get better results and stay competitive in the market has made that a lot of managers focus their attention into the performance of the employees. It has been always an important aspect, but performance management contributes to improve the antic methods.

Organisations realized that a necessity appeared, they needed a more integrated and continuous approach to manage and reward the performance. The systems of performance and bonuses implemented before were all too often failing to accomplish the results that the managers expected. Before the usual thing was a report at the end of the year, or the period established by the company, if the employee did not get the minimum level of performance he got some kind penalisation or a reprimand.

Performance management goes further; the intention is to oversee the performance of the employee over all the period. Giving him, the employee, the opportunity of communicate with the manager at any time, and provide him the necessary skills to accomplish the performance level marked.

Performance includes outcomes, we already knew that, however it is not commonly known that it also includes the behaviour. If we take this knowledge and apply it to performance management; we get to the following conclusion, performance management must consider both behaviour (inputs) and results (outputs).

The previous statement is the so-called mixed model, **Hartle** (1995), of performance management. The model combines competence and achievement as well as the procedure of the goals establishment and appraisal process.

Performance management is a process that must include all the organisation levels, employees, the units that employees and the managers in charge of both. Performance management is an ongoing process of communication; the communication usually occurs between the employee and his manager or supervisor. This communication happens during all the year; the intention of the continuous communication is to accomplish the goals of the company.

It is important to emphasize this part of performance management, the communication is vital to a performance management system in order that it will success. The communication process includes a lot of aspects like setting the objectives, clarifying expectations, identifying new goals, providing feedback, and reviewing results.

The communication is a vital part of performance management, but let us not make a mistake, it is not all of it. Also, communication it is not only between employee and supervisor, it includes all the organisation.

To summarize, performance management is an integrated and strategic process that can provide success to organisations. This success is achieved by the improvement of the personnel performance and by the development of the skill and capabilities of the individuals, teams or units that contribute in the organisation performance.

Objectives of the master thesis

- Design of a conceptual performance management system.
- Study of the viability of the performance management system designed in a manufacturing company.
- Study of the performance management concept.
- Understand the current situation of performance management in the manufacturing companies in Latvia.

Aim of the master thesis

The basis of the master thesis is the design and the viability study of a theoretical performance management system in a manufacturing company. In order to achieve that, first it will be performed an analysis of the current situation of the industry in Latvia, after that, the study it is focus in the manufacturing companies because the theoretical performance management system it is expected to be tested in a manufacture organisation.

Once the economic situation it is known, it is necessary understand how the manufacture companies are applying their performance management systems. To get that information, a questioner has been sent to different organisations.

The questioner has several questions regarding some aspects that have been interpreted as important for a good performance management system. Furthermore, the questioner is different for the employees and managers. The intention is to know the two separate visions both the personnel and managers.

That is because sometimes there is a big difference between these visions, and in order to design the most objective and accurate performance management system, it is need to know those visions and try to find a point that will satisfy the two parts.

Also, for the design of the performance manager system a study of the status of the performance management has been made. The understanding of the concept performance management is vital for the master thesis. In the theoretical part of the thesis all the important performance management aspects are listed and described.

Once it is clear the situation of the companies and all the theory has been explained, the thesis reflects the results of applying the performance management system designed in a manufacture company.

To achieve the goals and the aim of the master thesis, the following tasks should be completed:

- To study the performance management concept.
- To understand all the factors that may influence on the theoretical model.
- To design a theoretical model based on the theory and research results.
- To analyse the data collected from the company studied.
- To provide recommendations based on the model developed and the results obtained from the organization.

Also, the following hypothesis have been made before the study in JSC JAUDA:

- JSC JAUDA has a performance management model that can be improved.
- The performance management model designed can be applied in an organization such as JSC JAUDA.
- The personnel feel that they can communicate with their managers.

- There is an appraisal process in JSC JAUDA.

The research study performed is both quantitative and qualitative. Quantitative research is referred to all the data collected of the company to understand the current performance management situation of the organization. On the other hand, qualitative research is referred to all the research and analysis about performance management to get a general vision of the problems and solutions of performance management.

Information sources: the primary data has been obtained through questioners sent to the organization filled out by the employees and managers. The secondary data has been collected from papers, books, company reports, research articles, and some websites reliable.

Research methodology: the author has created two different questioners for employees or managers. The questioners have been distributed to the personnel of JSC JAUDA.

Limitations of the research are the following: despite that there is a lot of information about performance management, finding performance management systems that companies are using know it has been very difficult. Organizations do not share this kind of information, because companies try to keep it away from their competitors.

1. ANALYTICAL PART

1.1. Organization structures and performance management in Latvia

In Latvia, there are a lot of types of companies in the industry sector. In the following analysis, some these company's types have been selected. The study only includes those companies that have at least 50 employees, and for the global study the organizations have been classified in the following groups:

- A. **Mining and quarrying:** this group include all the mining companies: coal, lignite, hard coal, petroleum and natural gas. There is also included other kind of companies which have related activities with mining or extraction of petroleum and natural gas. This group includes around 10 companies.
- B. **Manufacturing:** it is the biggest group, it includes all the different organisations that manufacture: food, dairy products, beverages, tobacco, textile, etc. Later it will be analysed more specifically. This group includes around 500 organisations.
- C. **Water supply, sewerage, waste management and remediation activities:** all the companies related with waste, water and sewerage are included in this group. This group includes around 22 companies.
- D. **Electricity, gas steam and air conditioning supply:** the companies which are related to the energy field are the ones that have been included in this group. This group includes around 30 companies.

From now until the next study, the groups will be represented in the figures and tables with the respective letter given in the previous list. The classification has been made following the one performed by the *Centralas statistikas parvaldes datubazes*, in the database there are more groups of companies but none of them have organisation with more than 50 employees so those groups have been excluded from the study.

Also, before beginning with the different indicators analysed, in the Table 1.1 it is shown the number of employees for each group. This way it will be more easy to understand the tables and figures that will appear after.

Table 1.1: Number of employees per year of the different industries groups (Source: Centralas statistikas parvaldes datubazes)

Industry Groups	2010	2011	2012	2013	2014
<i>A</i>	1246	1316	1623	1047	1598
<i>B</i>	64923	70078	71931	74833	72821
<i>C</i>	8391	8296	8237	8511	9178
<i>D</i>	4453	4491	4797	2619	5087

As it can be seen in Table 1.1, in 2013 there is a strong variation of the groups of mining (A) and energies (D) in the number of employees. There is a lack of information in the database about some of the companies that form those groups.

The first indicator analysed in these companies it has been the turnover, from 2010 until 2014, the result it is shown in the next figure, numbers in thousands of euros. All the information has been obtained from the *Centrala statistikas parvale*:

Table 1.2: Turnover in thousands of euros per year and employee of the different industries groups (Source: Centralas statistikas parvaldes datubazes)

Industry Group	2010	2011	2012	2013	2014
<i>A</i>	20,08	-	32,11	59,96	40,89
<i>B</i>	66,67	74,06	82,55	77,77	76,67
<i>C</i>	246,39	268,23	280,27	272,37	212,71
<i>D</i>	18,25	-	26,27	41,51	20,67

Table 1.2 shows that for the mining and energy groups there is no information in the year 2011. For a better analysis, the table has been put in different graphics, Figures 1.1 and 1.2.

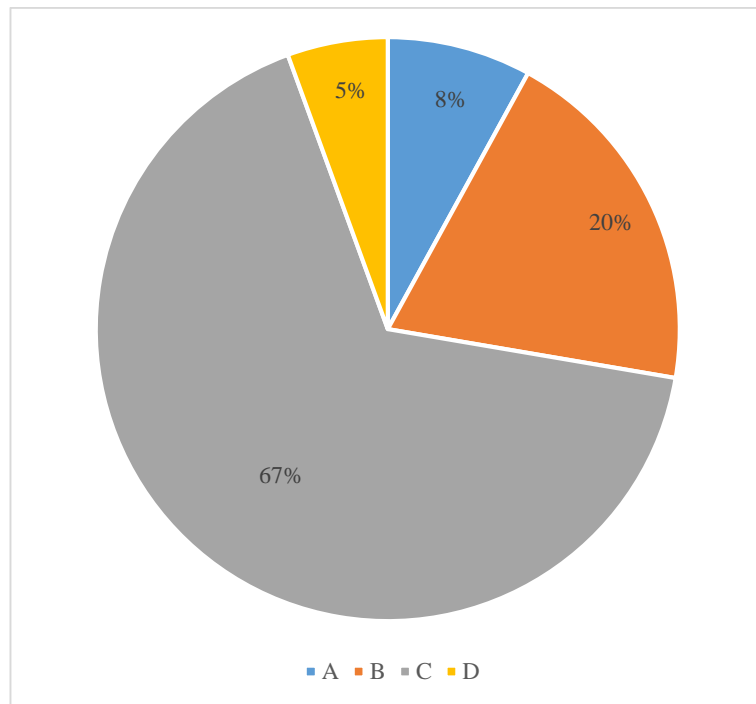


Figure 1.1: Total of the four years' percentage of the turnover per employee of the different industries groups developed by the author (Source: Centralas statistikas parvaldes datubazes)

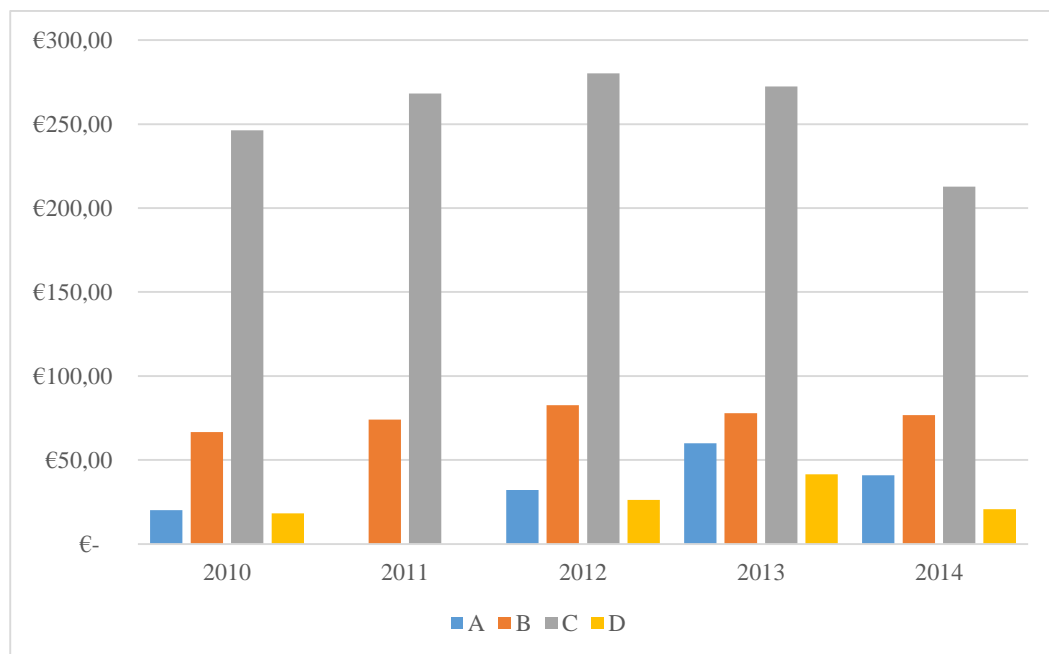


Figure 1.2: Turnover of the different industries groups per year and employee in thousands of euros developed by the author (Source: Centralas statistikas parvaldes datubazes)

It is possible to appreciate in the previous graphics, Figures 1.1 and 1.2, how the water supplies group is the one that has the biggest turnover. One thing that could be causing this situation is the fact that water is a primary necessity so they have a regular and big consume. Also, these kinds of companies do not have a lot of personnel, those two facts together put the water supply group on the top of the turnover per employee. If one looks at the Figure 1.1, the groups related with mining and energies (electricity, gas, ...) sum together the 13% of the total turnover in the period between 2010 and 2014. However, it is important to remember that there is no information for the year 2011 for two groups, so one cannot assure if with that information, the Figure 1.1 and Figure 1.2 would change a lot, the only thing that it is sure is that the profits per employee obtained for these groups are much less than the other ones. In the Figure 1.2 one can see the evolution of the turn over during the years. In all the cases, increases in time until 2012, there the two groups with more benefits, B and C, reduced a 8% and 25% respectively their profits per employee.

Another indicator that has been analysed is the production value in thousands of euros. The results got of it are shown in the Table 1.3:

Table 1.3: Product value in thousands of euros per year and employee of the different industries groups
(Source: Centralas statistikas parvaldes datubazes)

Industry Group	2010	2011	2012	2013	2014
A	20,24	-	35,30	65,46	43,35
B	65,54	72,69	78,84	74,17	73,72
C	171,59	182,86	175,39	172,34	134,43
D	19,64	-	27,60	45,37	21,95

As it happens with the first indicator, there are no records for the groups A and D for 2011. With the previous table, Table 1.3, one can obtain the following graphics, Figure 1.3 and Figure 1.4:

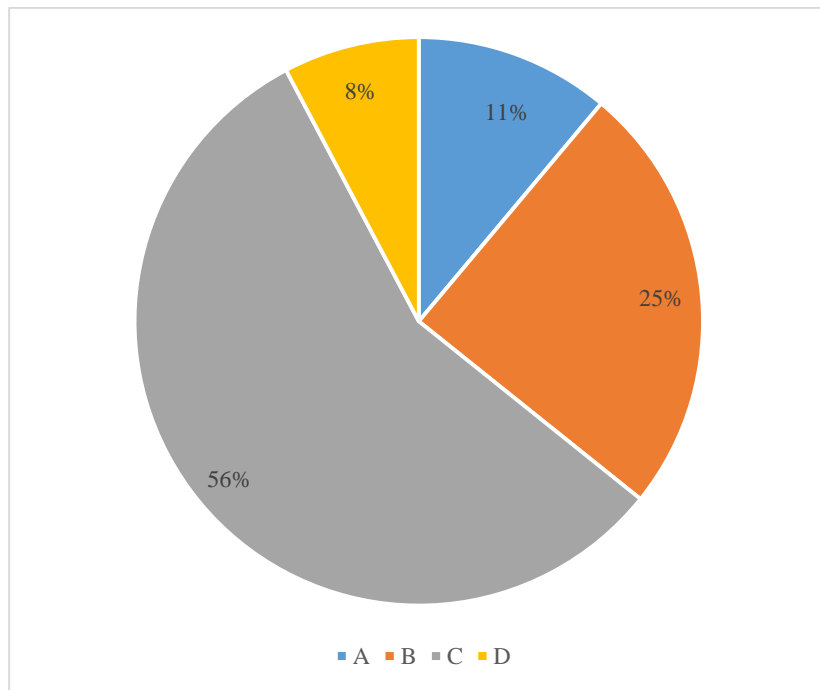


Figure 1.3: Total of the four years' percentage of the product value per employee of the different industries groups developed by the author (Source: Centralas statistikas parvaldes datubazes)

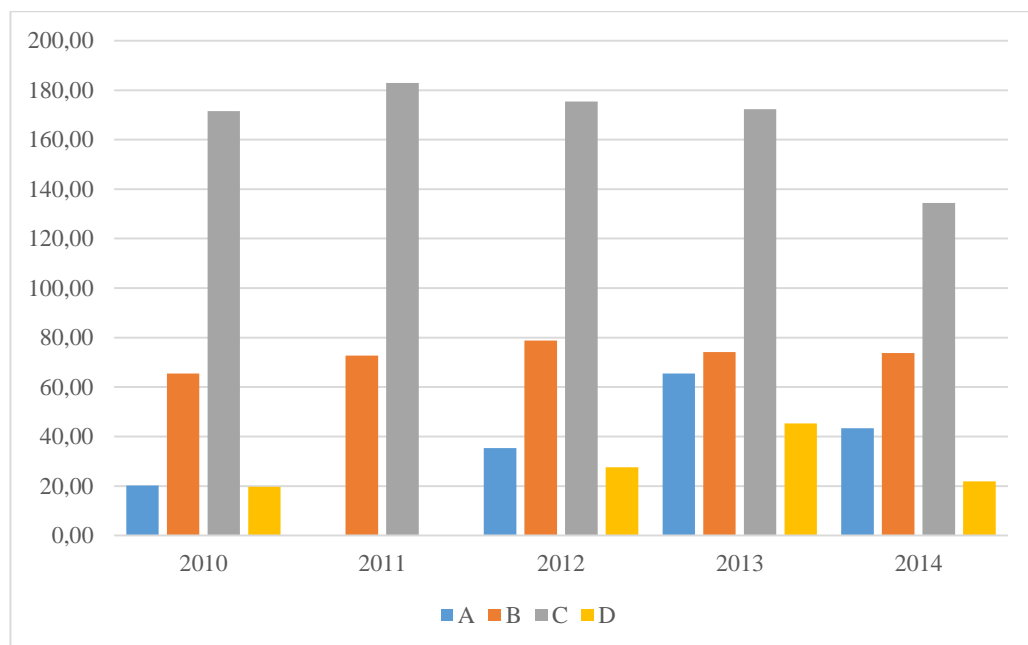


Figure 1.4: Product value of the different industries groups per year and employee in thousands of euros developed by the author (Source: Centralas statistikas parvaldes datubazes)

As it happens with the turnover indicator, Figure 1.3 and Figure 1.4 show that the manufacturing group (B) and the water group (C) have a bigger weight in the total of the production value, 25% and 56% respectively. As before the other two groups do not have a meaningful weight compared to the other two. The same happens in the second figure, Figure 1.4, in that figure the production value per employee is analysed for each year. In the Figure 1.4, the difference between the groups is seen more clearly, the water supply groups lead by far the product value per employee, followed by the manufacture group and depending of the year the mining and energy groups vary their position. It is important to comment that there is a generalized decrease in all the groups in the last year.

Finally, the last indicator analysed is the personnel cost per employee, this indicator is important because it will show if the companies spend too much money in the personnel compared to the turnover, and will allow to know the difference between the different groups listed before. The results, in thousands of euros, are shown in the Table 1.4:

Table 1.4: Personnel cost in thousands of euros per year and employee of the different industries groups
(Source: Centralas statistikas parvaldes datubazes)

Industry Group	2010	2011	2012	2013	2014
A	4,06	0,00	7,58	13,18	9,41
B	8,86	9,32	9,92	10,15	10,74
C	16,12	17,26	17,79	17,91	16,15
D	5,19	0,00	5,92	10,17	5,73

As it happens with the other two indicators, Table 1.4 do not present records for the groups A and D for 2011. With the Table 1.4 one can obtain the following graphics, Figure 1.5 and Figure 1.6:

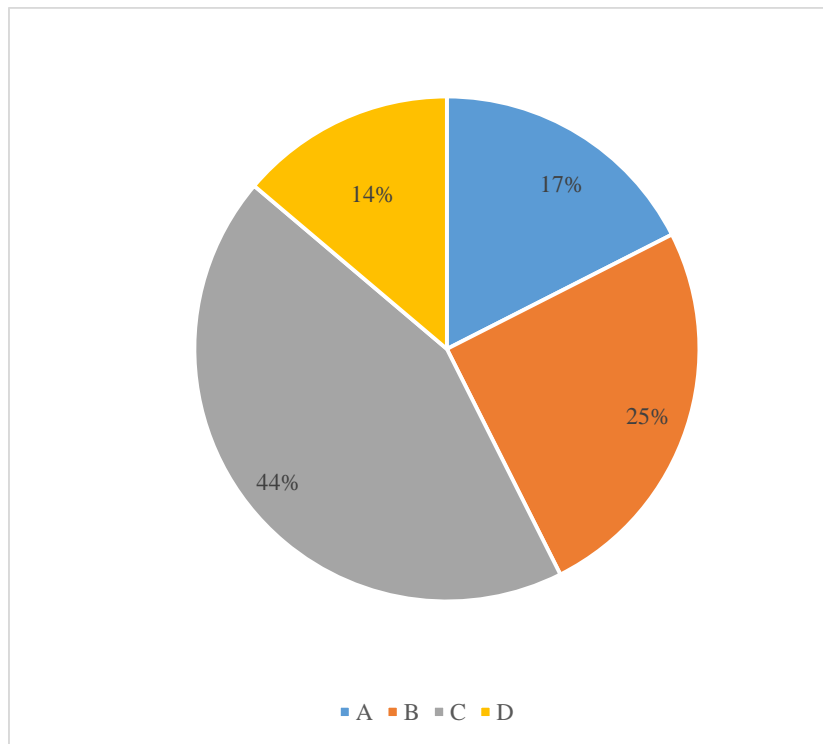


Figure 1.5: Total of the four years' percentage of the personnel cost per employee of the different industries groups developed by the author (Source: Centralas statistikas parvaldes datubazes)

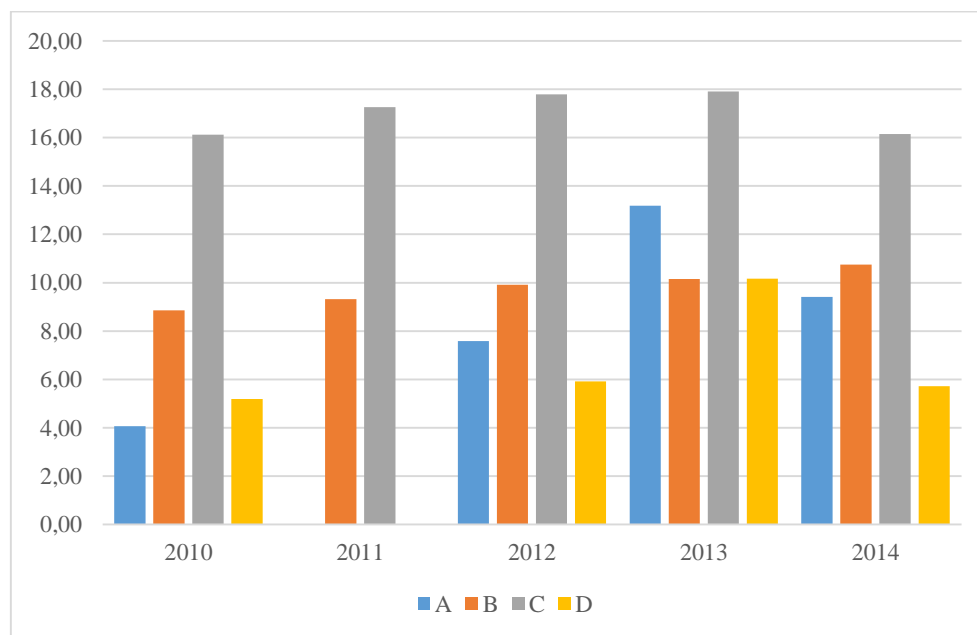


Figure 1.6: Personnel cost of the different industries groups per year and employee in thousands of euros developed by the author (Source: Centralas statistikas parvaldes datubazes)

With personnel costs some changes appear, Figure 1.5 and Figure 1.6, even that the water supply group (C) is still the one with the biggest weight in percentage, 44% and the mining and energy groups are the smallest ones (A and D), the difference in percentage is reduced and the groups are more balanced between them. Even that the water supply group has less employees than the manufacture group, the gap of the percentages is reduced. This fact lead to the hypothesis that is probable that the personnel of the water supply industries are, in average, more qualified and therefore, with a personnel cost associated bigger than the other ones.

In the annual graphic, Figure 1.6, there is a big difference if it is compared with the ones obtained with the previous indicators, Figure 1.4 and Figure 1.2. In this case, without taking in account the 2013 year, the personnel cost increase at the end of the period, unlike the other ones where the indicators suffer a decrease. It is important to point out this fact because, even that the turnover dropped at the end of the period, the personnel cost increased, then one can make the following statement; there is no direct relation between both indicators, the turnover and the personnel cost. Aside this, the manufacturing group (B) increase in the personnel cost is big, around 8% in the final years, however the group that has suffered the biggest increasing is the mining group (A), it has suffered an increasing around a 14% in its personnel cost.

For a better understanding of how much is the personnel cost affecting the turnover, a table has been included. The next table shows the percentage that personnel cost represents respect the turnover, Table 1.5.

Table 1.5: Percentage per year of the personnel cost respect the turnover of the different industries groups
(Source: Centralas statistikas parvaldes datubazes)

Industry Group	2010	2011	2012	2013	2014
A	20,23	0,00	23,61	21,98	23,00
B	13,29	12,59	12,01	13,05	14,01
C	6,54	6,43	6,35	6,58	7,59
D	28,46	0,00	22,53	24,50	27,70

In the previous table, Table 1.5, it is possible to see that both mining and the energy groups (A and D), have the biggest percentages, they spend more than the other groups compared to their turnover. Also, the water supply group (C) even that it is the one that spends more in personnel cost per employee it is also the one that compared to the turnover is the one that spends less in

personnel. Even that their employees cost more, water supplies companies can afford it because it is not very much compared to their benefits.

After analysing the industrial sector in a general way, the study focusses in the manufacture group. That is because the company where the performance management model will be tested, JSC JAUDA, belong to this group. As it has been said before, the manufacturing group is the biggest one, it is form by many kinds of companies. As it happened with the general study the classification has been made following the one performed by the *Centralas statistikas parvaldes datubazes* taking from the database that have companies with more than 50 employees:

- A. **Manufacture of food products:** this group includes all the companies that work in the food industry, such us processing or preserving them. 120 organisations.
- B. **Manufacture of beverages.** 8 organisations.
- C. **Manufacture of wearing apparel.** 50 organisations.
- D. **Manufacture of wood.** 100 organisations.
- E. **Manufacture of paper and paper products.** 9 organisations.
- F. **Manufacture of rubber and plastic products.** 15 organisations.
- G. **Manufacture of computer, electronic and optical products.** 8 organisations.

From now on the groups will be indicated with their respective letters given in the previous list in the tables and figures. Before the analysis, as same as the general one a table with the number of employees will be given to get a better understanding of the results obtained in the study, Table 1.6:

Table 1.6: Number of employees per year of the different manufacture industries groups (Source: Centralas statistikas parvaldes datubazes)

Industry Group	2010	2011	2012	2013	2014
A	17416	17579	17692	17466	17823
B	1929	1913	1890	1826	1724
C	6280	7032	6431	6387	5712
D	10139	11292	11724	13107	13553
E	818	782	775	801	662
F	1137	1239	1157	1156	1246
G	654	705	752	893	952

As the general analysis, this study will present the same indicators, the first one is the turnover per employee of the previous groups between 2010 and 2014. The result, in thousands of euros, obtained is shown in the next table, Table 1.7:

Table 1.7: Turnover in thousands of euros per year and employee of the different manufacture industries groups (Source: Centralas statistikas parvaldes datubazes)

Industry Group	2010	2011	2012	2013	2014
<i>A</i>	33,20	61,90	66,44	75,02	73,90
<i>B</i>	36,74	32,81	132,31	143,23	0,00
<i>C</i>	16,18	18,16	20,71	21,60	19,99
<i>D</i>	96,01	102,93	102,53	101,58	105,63
<i>E</i>	77,67	91,61	97,00	101,45	119,39
<i>F</i>	78,88	85,77	88,99	125,00	91,32
<i>G</i>	130,03	143,22	0,00	161,62	187,10

There are two groups which are missing data, beverages (B) and computers (G), in the years 2014 and 2012 respectively. To get a better understanding of the previous table, some graphics have been made, Figure 1.7 and Figure 1.8:

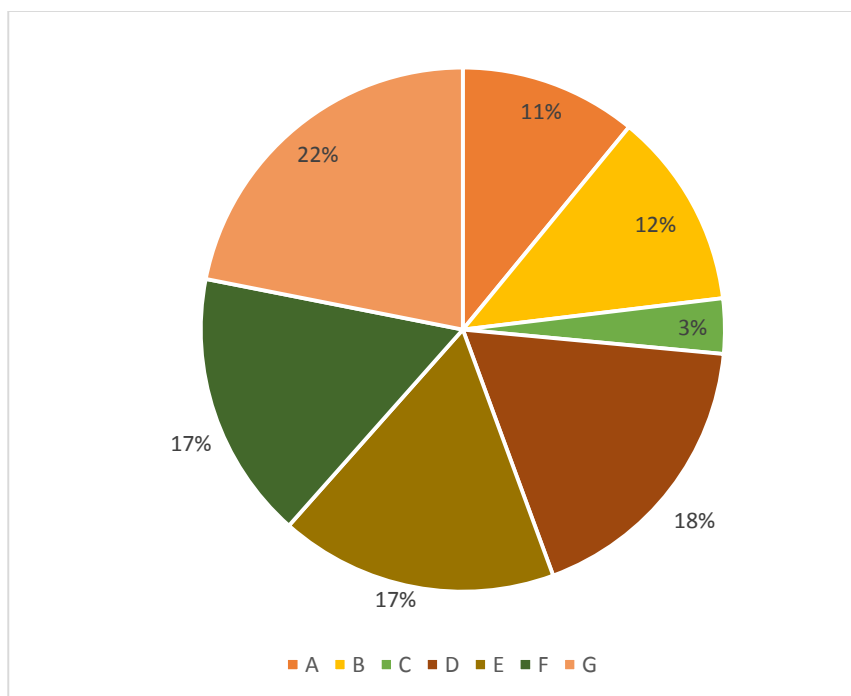


Figure 1.7: Total of the four years' percentage of the turnover per employee of the different manufacture industries groups developed by the author (Source: Centralas statistikas parvaldes datubazes)

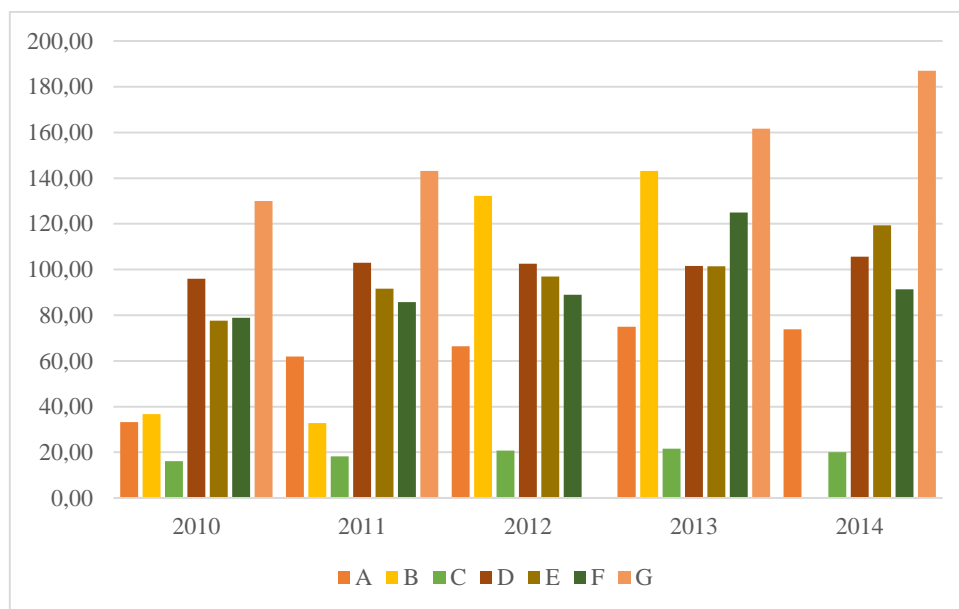


Figure 1.8: Turnover of the different manufacture industries groups per year and employee in thousands of euros developed by the author (Source: Centralas statistikas parvaldes datubazes)

In the previous figures, Figure 1.7 and Figure 1.8, it is possible to see that there is a big difference between the first three groups, food (A), beverages (B) and wearing apparel (C), and the others, wood (D), paper (E), rubber (F) and computers (G). The first three groups, at least the first two years, like it is seen in the Figure 1.8, have a much lower turnover than the other ones. The beverages industries suffered a big increase in 2012, but that is because if one looks at the data of the website *Centralas statistikas parvaldes datubazes*, the data of the turnover of some companies is not available for 2010 and 2011. So actually, the beverage group is in fact, the second one which has the biggest turnover per employee.

All the groups ended the period studied with a bigger turnover per employee than the first year, even the wearing apparel group, which is the ones that has the lowest increase during the years, that makes one think that their turnover was almost stationary. This increase means that the manufacture industry has been growing, at least the ones included in the study, and one of the ones which has grown more is the food group (A). Food companies have increased their turnover about a 123% since 2010 which is remarkable, the computers group (G) around 43%. There is no information about the beverages group (B) for the last year but seeing the results of the other years seems probable that it increased too.

Afterwards the personnel cost is going to be analysed to see if it also increases according the turnover.

The second indicator, as before, is the product production valued in euros. The results, also in thousands of euros, obtained are reflected in the next table, Table 1.8:

Table 1.8: Product value in thousands of euros per year and employee of the different manufacture industries groups (Source: Centralas statistikas parvaldes datubazes)

Industry Group	2010	2011	2012	2013	2014
A	55,58	60,19	63,60	68,83	68,55
B	34,54	31,19	122,35	135,97	0,00
C	16,37	19,02	20,52	21,36	20,28
D	95,80	103,64	100,74	100,44	105,59
E	78,87	93,52	99,58	103,03	121,17
F	73,52	79,82	78,93	88,70	81,41
G	136,40	153,77	0,00	182,02	181,90

As it happens with the first indicator the data for some groups and year is missing. The same graphics have been made to get a better vision of the results obtained, Figure 1.9 and Figure 1.10:

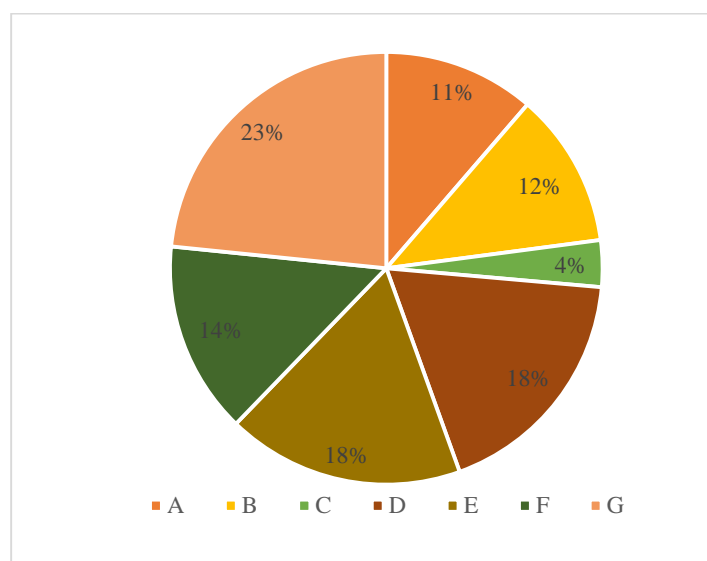


Figure 1.9: Total of the four years' percentage of the product value per employee of the different manufacture industries groups developed by the author (Source Centralas statistikas parvaldes datubazes)

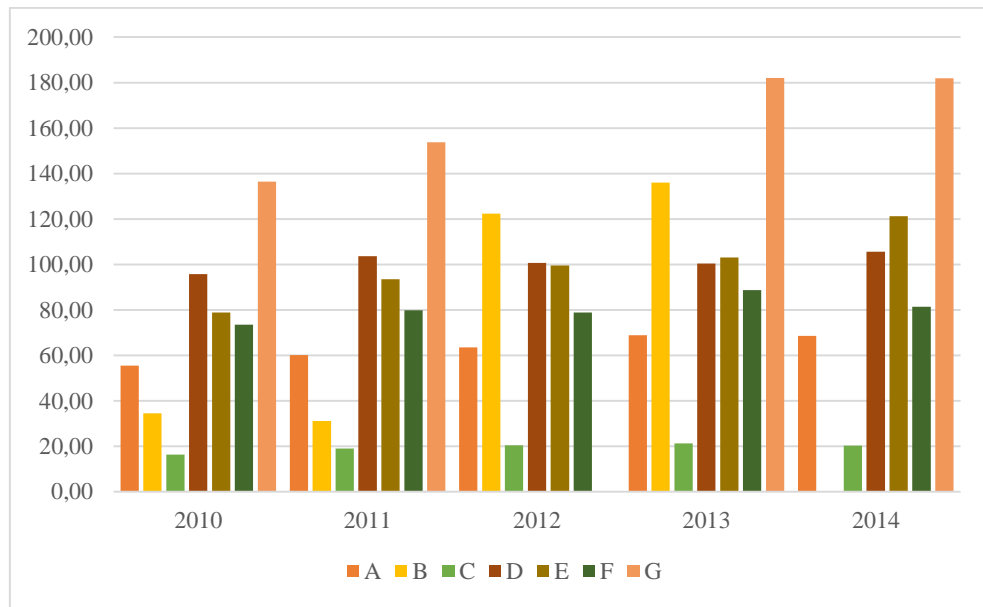


Figure 1.10: Product value of the different manufacture industries groups per year and employee in thousands of euros developed by the author (Source: Centralas statistikas parvaldes datubazes)

In the product value indicator, it is possible to see, Figure 1.9 the big gap between the same groups as before, even the same tendency is represented in Figure 1.10, the companies, in general, presented a continuous increase every year, though the computer manufacture (G) slowed down in the last year and that the rubber (F) suffered a decrease in 2014. Despite that, the product value per employee indicator gives us nearly the same information that the turnover per employee, which is logical if we consider that in the manufacture industries the product is mainly what generates benefits on the companies. For knowing the total tendency until the current days of the groups, it is necessary to analyse the data from 2015 and 2016 which is not available yet.

Finally, the last indicator analysed is the personnel cost per employee to observe if the companies have a reasonable personnel cost and the relation with the last two indicators. The results, in thousands of euros, are shown in the Table 1.9:

Table 1.9: Personnel cost in thousands of euros per year and employee of the different manufacture industries groups (Source: Centralas statistikas parvaldes datubazes)

Industry Group	2010	2011	2012	2013	2014
A	7,30	7,65	7,84	7,94	8,86
B	3,54	3,78	14,31	15,00	0,00
C	5,37	5,54	5,67	6,13	6,48
D	9,02	9,73	10,29	10,20	10,69
E	11,81	12,79	13,10	13,14	14,41
F	7,91	7,87	8,08	8,90	9,97
G	13,00	14,46	0,00	13,99	15,72

The Table 1.9 presents the same misinformation as the previous ones, the same groups and years not have data available, despite that it is possible to make a good analysis based on the results obtained. To get a better understanding, the following figures have been made. Figure 1.11 and Figure 1.12:

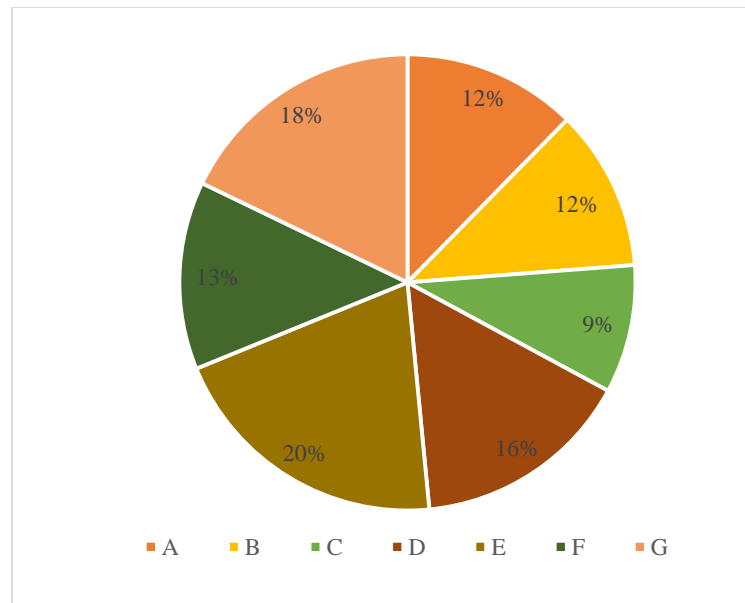


Figure 1.11: Total of the four years' percentage of the personnel cost per employee compared with the total of it of the different manufacture industries groups developed by the author (Source: Centralas statistikas parvaldes datubazes)

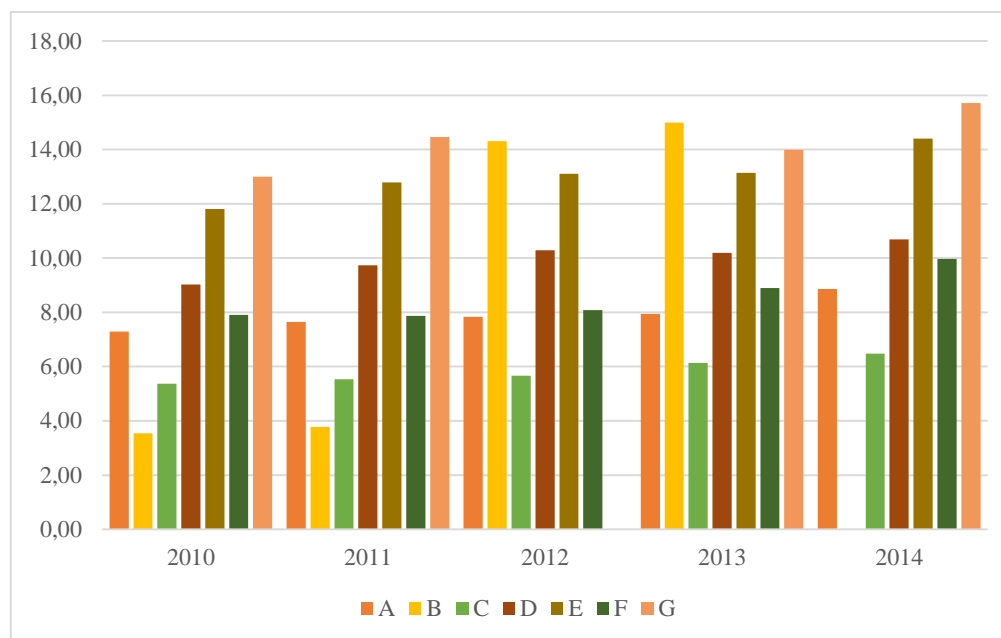


Figure 1.12: Personnel cost of the different manufacture industries groups per year and employee in thousands of euros developed by the author (Source: Centralas statistikas parvaldes datubazes)

With these figures, Figure 1.11 and Figure 1.12, it is possible to get a better understanding of the groups. In terms of personnel cost per employee the general view change, all the groups are more balanced between them. However, the computer group (G) is still the one with the bigger numbers and weight. The personnel cost per employee increased during the period of the study. To see if it grows according the turnover per employee of the companies the next table has been made, Table 1.10:

Table 1.10: Percentage per year of the personnel cost respect the turnover of the different manufacture industries groups (Source: Centralas statistikas parvaldes datubazes)

Industry Group	2010	2011	2012	2013	2014
A	21,98	12,36	11,80	10,58	11,99
B	9,63	11,53	10,82	10,47	0
C	33,17	30,49	27,37	28,39	32,41
D	9,40	9,45	10,04	10,04	10,12
E	15,21	13,96	13,51	12,95	12,07
F	10,03	9,18	9,08	7,12	10,92
G	10,00	10,10	0	8,66	8,40

The Table 1.10 allows us to see the evolution of the indicator. Seeing the table at the end of the period, most of the groups adjusted their personnel cost around the 10% of the turnover

obtained which is a very good percentage compared to the other groups of industry, as it was shown in the Table 1.5. There is only one that has a bigger percentage, around 30%, the wearing apparel companies should try to avoid to increase that number.

1.2. Performance management model based on standards

The theoretical model presented is based in the information that will be described more deeply in the theoretical part. The most important of a good performance management model is that it must involve all the company, and specially the employee, make him feel that he is part of the process.

The first part is to develop a performance management system understand the company where it is going to be applied, in this case the JSC JAUDA company. Understand how it is working now, and if they are applying a performance management strategy already. If that is the case, it is important to analyse it first. It would be a big mistake to directly dismiss or not know everything that has been used before, some of the practices and habits could be useful for the new performance management system. However, it is important not to do the opposite thing neither, accept everything and try to adapt the new system to the old one. Both practices would result in bad outcomes and a deficient performance management system. The goal is to optimize the current performance and the improvement of it during a certain period.

Another important thing about the company is knowing all the current goals and objectives. The ones that concern the organisation, (for example open new manufactures in certain areas, open a new line of products, etc.), and the ones that concern directly the employees like production rates for a manufacture, minimums of quality in the final product... A questioner for employees and another one for the managers have been done, to get some feedback both employees and managers about the current situation and how they feel in the company and their opinion about the organisation.

Once one has a global vision of the company it is time to start to think the performance management model that it is going to be implemented in the company. The set of the goals for the employees is a very important part of the process, and the personnel should be involved in it. The model must provide individual and team goals for each employee to avoid the feeling of frustration or demotivation against impossible goals. That is why it is important a first meeting in which the

goals are going to be set, the employees should be there with the capacity of speak freely without being coerced to accept them.

After the goals, there is an important role in a performance management system, the manager. The manager is if not the most, it is one of the most important figures, and he can make fail the performance management system if he not follows the next advice: the manager, should not be feared by the personnel, and should give facilities to listen the opinions and receive feedback from the employees under him.

If the employees feel that they can give their opinion, and are part of the decision process, it is more likely that they will accept this goals and not get against them. Also, they will feel respected and valuated for the company so it is more difficult for them to enter in a demotivation state towards the company.

Once the goals have been set, it is time to analyse the performance of the employees. Usually a lot of companies have an appraisal period, however this procedure is not the worse one, the worse one would be one where the performance is not rated at all, it is also not the best one. For the purpose of getting a better vision of how the performance is evolving during the year, usual meetings and reports have to be provided and analysed. In these meetings, the employee should receive a feedback of how his performance is evolving, the opportunity to give his impressions and inputs about his work, and get solutions or alternatives to solve the different problems to improve the current performance.

On the other hand, the manager must be supportive and objective with each employee without regarding their current performance. As it has been said before, the manager should transmit confidence, not terror or fear to his personnel. Usually, people is afraid of failure, nobody wants to fail; and specifically, in the work environment people is afraid of the possible consequences of their failures. Therefore, it is hard to put aside those fears, and have the courage to come forward with your supervisor. But, if the manager can create an environment where the employees can speak freely of their failures or mistakes without receive severe consequences, unless of determined failures or circumstances, then it is more possible to achieve this situation. The manager should be giving them tools and advices to prevent for this to happen again.

The last paragraph leads the performance management system to another important part of the process: the training program. A good performance management system is more than just the appraisal of the performance of the personnel. Sometimes, introducing a new performance management system in a company implies a lot of changes. It could happen that new practices are introduced and it could happen that the personnel find these new practices difficult to perform, or need to learn how to do them, like for example a new software use to record their performance.

Furthermore, the continuous increase of the performance it is not possible without a training program for the employees, including a training program will provide new skills or to improve the ones that the personnel already have. The company should decide which programs are going to be performed and see if after the program, the employees have learned something. Also, the training program has to be planned since the beginning, once that all the changes that are going to be introduced in the company are known.

Having the training program planned since the beginning allows the company to introduce the new tasks gradually, usually every new task has a training associated. It is not possible to introduce a new good performance management system without a minimum enhancement process for the personnel, there is no point on changing the company's procedure and the environment, or introduce the measure of the performance of the employees if the company is not prepared to teach and measure the skills needed for the implantation of the performance management system.

Finally, in a good performance management system it is necessary a reward system associated to it. After the appraisal period, the results must be show to the personnel. If the results are positive, some reward system is necessary to reward the employee. It is not necessary that this reward has an economic association. There are a lot of kinds of rewards, and some of them are not related at all with the salary of the employee. There is a chapter in this master thesis, section 2.4, where the reward system is analysed more deeply.

The most important thing of the reward system, is that it should be known before the performance management system is applied in the company. The personnel should know what will be the consequences of their performance. It is like the goals part, knowing what will be their reward if they have a good performance will increase they motivation if they think that is a good and fair reward.

The perception of the reward is very important; in the last sentence, it has been specified that the reward must be seen by the employee as fair and good. The employee should feel that the reward is line with the effort that requires from him to accomplish the performance standards. There is a strong connection between the goals and the reward system. If the employee thinks that the goal is too much compared with the reward that he will receive, it is possible that he starts to feel demotivated and therefore his performance will decrease. On the other hand, if the reward is too high compared the effort to achieve that goal or performance level, most the employees will get the reward without putting too much effort in their performance, getting them into a relaxed condition, the personnel will not be working on their real capacity, they will be working just the minimum to get the reward.

All the factors described before, are vital for the creation of a good performance management system. Without them the system would be unbalanced or with some deficiencies that will make the system fail, or that will make the personnel to get against it.

The next figure, Figure 1.13 represents the model and the steps that are necessary to follow previously described:

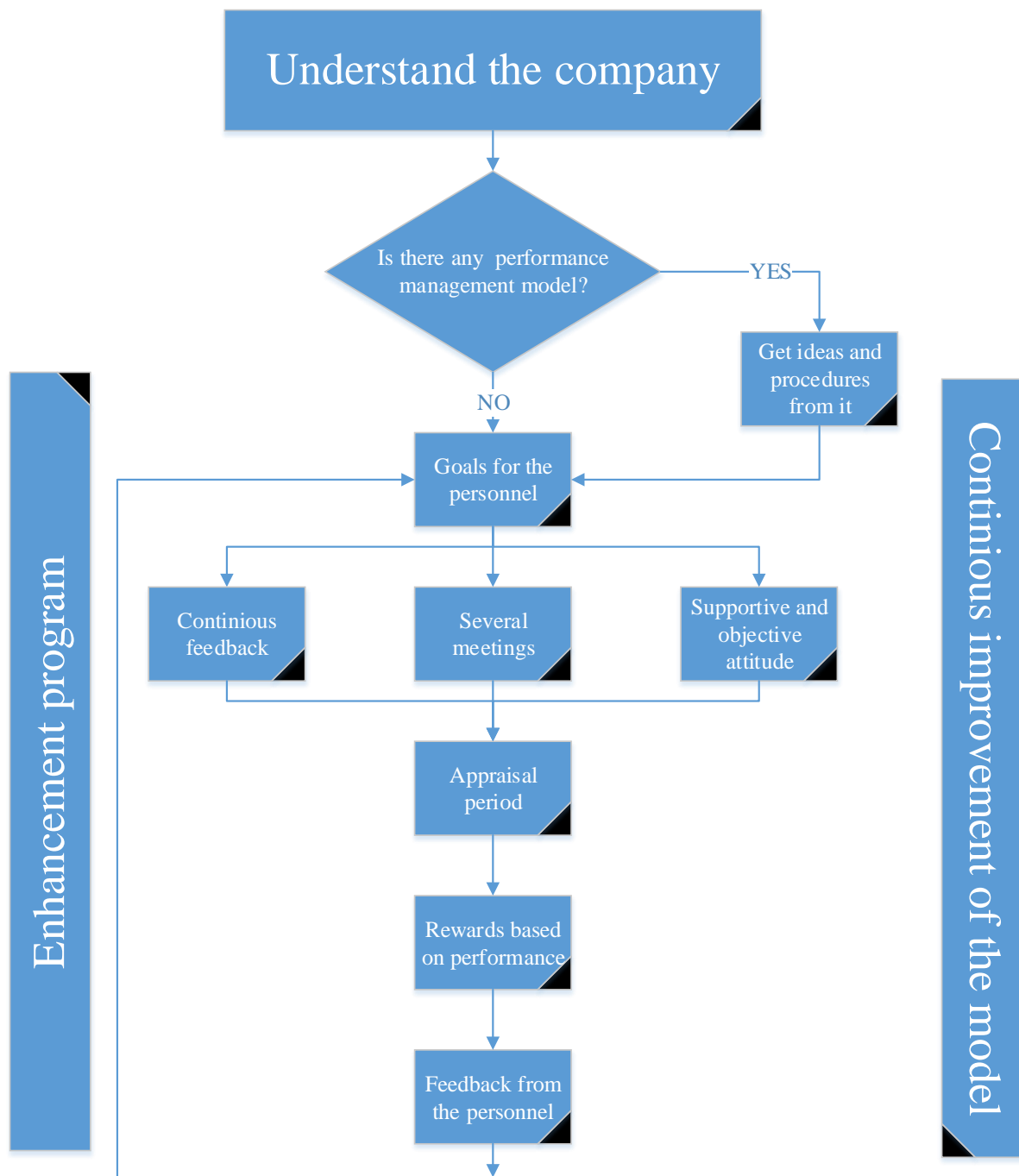


Figure 1.13: Theoretical performance management system for the company JSC JAUDA

The previous figure, Figure 1.13, summarizes all the steps for the application of the model. The first, and the most important, is understand the company and analyse their actual performance management model if they have one.

The goals must be according the philosophy of the company, if there is not any performance management model, the goals should be decided between the managers and ask for the opinion of the employees. It is not a good idea to let them decide them from the beginning if they are not used to have goals for their performance.

Then it comes the performance period where the feedback is vital, as it is shown in the figure the feedback must be continuous. Also, several meetings and a supportive attitude from the manager are needed during this part. Approximately every four months, or the time decided with the company the appraisal should take place, based on the performance of each employee a reward, or training if the outcomes are not the expected ones, should be given.

At the end is important to get the feedback from the employees in order to continuing improving the model. Besides that, an enhancement program should be applied to all the personnel, trying to continuous improve their performance or getting new skills. After this the cycle starts again setting or maintaining new goals.

1.3. Performance management strategies

The performance management model described above, Figure 1.13, is influenced by the power that managers can have over the employees. Power is one of the essentials features of a manager's role. Without it, a manager would find nearly impossible to direct the work and effort of his employees. Also, power underlies the effectivity of the manager. However, he is not the only one with power, the personnel have it too. The employees can control the work flow or deny support from their manager. Therefore, pulling out some cases, each member of a company has certain level of power.

1.3.1. Sources of power and how to use them

In the book, Organizational behavior written by Robert P. Vecchio in 1995, power is defined as "*the ability to change the behaviour of others, the ability to cause others to perform actions that they might not otherwise perform*". Reading the definition one can see that power is

an intangible concept, also the book describes that power does not always look for common goals, in fact, sometimes it can be clearly headed towards the pursuing of individual goals.

Managers should know what power is and how to use it. In order to get a better understanding, a description of the different kind of power has been included in the thesis, the classification was made by John French and Bertram Raven, Figure 1.14:

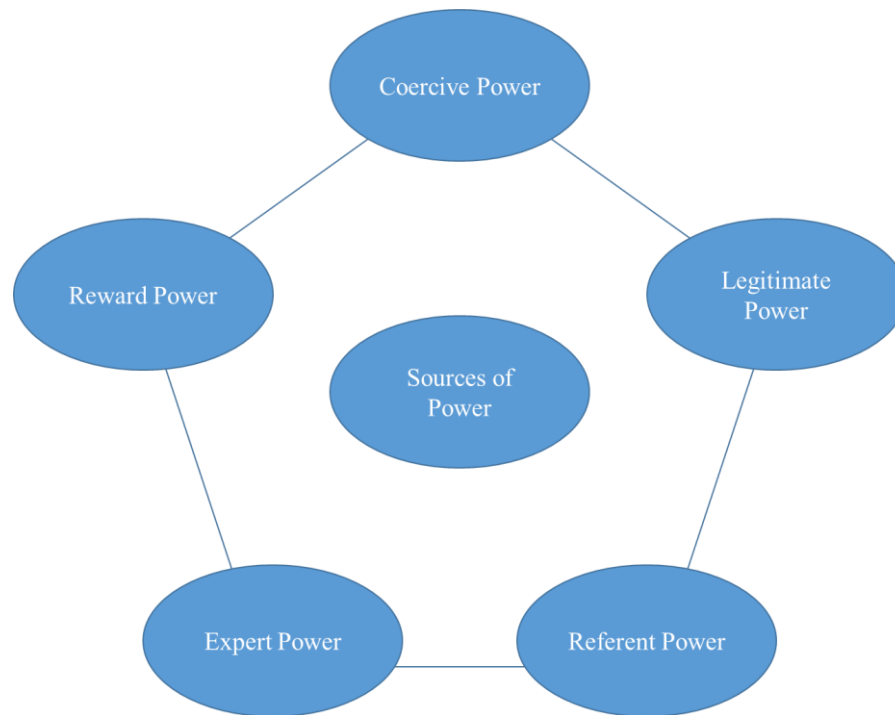


Figure 1.14: Bases of power proposed by John French and Bertram Raven, developed by the author

- **Reward power:** when the rewards are valued by the personnel, the person who is able to distribute or withhold them have a strong power over the behaviour of the employees. This is the principal of reward power, the ability to choose which ones will get the rewards. Go to section 2.4 of the thesis to find more information of the reward system and types of rewards. If the managers do not have the ability to administer both intrinsic and extrinsic rewards, it turns into a situation where is very difficult to manage the behaviour of the personnel. The reward power gives also an important advantage to the manager for obtaining the desired outcomes from his employees.
- **Coercive power:** this power is based on the capacity of the manager to produce fear in his employees. The threat of punishment can be a strong motivation for the employees, it can cause

compliance among the personnel. Some examples could be salary cuts or suspensions. However, there are more subtle manners to enforce coercive power like criticism or denial of emotional support. Applying coercive power is difficult, and requires good social judgement from the manager. Also, the manager has to be careful, if he or she is too strict or gives indiscriminately punishments among the personnel, morale and productivity are likely to decrease. Even the potentially negatives effects, nowadays coercive power is usually used in most of the companies.

- **Referent power:** people that possess attractive personalities or some special qualities possess also a kind of power. Referent power is the ability to influence others behaviour by the appearance, values or interpersonal style. Those aspects can produce inspiration and admiration from others. It is very difficult to find out what is the thing that provides that charisma to some individuals. Often, appearance of success and vigour are linked to charismatic people but there are other aspects that contribute in it, and that are nearly impossible to point out. Referent power grows from the desire of people to identify with the qualities and characteristics of a charismatic person. A clear example of this are the adverts that use famous people.
- **Legitimate power:** it comes from the willingness of employees to accept the manager's direction. The personnel feel the obligation to follow the manager's lead and accept his authority. There are two sources of legitimate power. The first one: social conditioning. Since the childhood humans are conditioned to submit to the direction of authority figures. Teachers and guards have the right to direct and lead other people. The second one: designation. Someone can get power by the designation of another person that already has legitimate power. The main problem of legitimate power is that it is only effective if the personnel accept it. If employees withdraw their support to their manager, the power disappears. This situation usually occurs in revolutions or riots.
- **Expert power:** someone with expert power is able to direct others because he is perceived as talented or experienced in a certain task or area. The majority of us try to look for expert advices. Therefore, we are likely to follow orders or directions from someone considered an expert in our field of work. Expert power is normally limited to small groups. Most of the employees believe that their managers are experts and therefore possess expert power. This is because usually, experience and knowledge give the manager an edge in expertise. However, in technical jobs, can happen that some employees possess more knowledge about certain

aspects than the managers. Even more, in these cases managers usually are dependent on the technical knowledge of their personnel in order to manage the unit or team. In that case, expert power can turn into an unusual relationship between manager and employee.

The manager can possess all the sources of power, however, each of them in different levels and it is the manager responsibility and duty to use them correctly. All of the sources are connected between them and the use of them cause that the strength of the other ones varies. The manager should keep in mind that using power can lead their employees towards greater effectiveness and performance, however if the power is not used correctly the situation can end in the opposite effect. Depending of the behaviour of the employees the manager should use one source of power and a specific attitude towards the employee. The Table 1.11 gives some guidelines for choose the best role depending the attitude of the employee:

Table 1.11: Guidelines for role manager depending on the employee's attitude, developed by the author

Role of the manager	Description	Employee's attitude
Informative	Autocratic, makes the decisions and keeps a close supervision. The manager must control because the personnel lack of motivation. Use of legitimate and coercive power.	The employee is demotivated and have a hostile attitude towards the company. Also, the employee is not formed and have a lot of weak spots related to work.
Convincing	Explain he decisions and ask for suggestions. The employees are motivated and want to learn. Reward power.	The employee is formed and know the procedures, however he has a hostile attitude or is demotivated in work.

Table 1.12: Guidelines for role manager depending on the employee's attitude, developed by the author

Role of the manager	Description	Employee's attitude
Supportive	Manager and subordinates collaborate in making decisions. The manager supports and try to involve the personnel which is formed and well prepared. High levels of communication. Expert, reward, referent power.	The employee has a good attitude towards the work and company. However, he is untrained and needs formation.
Delegate	The manager delegates the process of decision making. He supports and leads from the distance, he observes and supervise. He encourages the autonomy of the employee. Reward, referent power.	The employee has a good attitude towards the work and company. Furthermore, he is trained and he does not need formation.

1.3.2. Different methods of performance appraisal

Another important aspect in performance management strategies is the appraisal of the performance. There are different approaches in this field, but before describe them it is important to understand some aspects about performance appraisal.

The first one is understand why is important appraise the performance. The appraisal goal is maintaining or improving, depending of the current situation in the organisation, the performance of the personnel. Performance management is about improving performance, then there is no better reason for applying an appraisal performance method, the goal is the same one. Besides, any company that use pay rewards based on performance should design the compensations around the performance appraisal system because is important that all the people involved have the sense of equity. Also, periodic appraisals help managers to evaluate personnel's suitability for training, job changes, promotions or other situations. Another reason is the aperture of communication lines between managers and employees. Finally, the appraisal provides useful feedback to the employee.

Now it is time to decide who should appraise the performance. Even that the first person that comes to our minds is the manager or supervisor of the employee, the book, Organizational behavior written by Robert P. Vecchio in 1995, describes different sources shown in the figure and described below, Figure 1.15:



Figure 1.15: Sources of performance appraisal information, developed by the author

- Immediate supervisor:** the main advantage of this option is that theoretically the immediate supervisor is in the best position to observe each employee. Even more, it is his responsibility to direct the behaviour of his personnel. However, reality shows that managers do not usually are in the best position to observe the employee behaviour. Managers spend a lot of time in tasks that do not allow them to be with their employees, such as travelling or meetings. Despite this disadvantage, usually the employees are evaluated by their supervisor. Lazer and Wikstrom (Appraising Managerial performance: current practices and future direction, 1977), reported the percentages of the different sources that evaluates the employees, in the 95 percent of the cases are the supervisors, 13 percent if the systems involve the individual subordinate evaluation, 6 percent if the evaluation is made by groups or committees and another 6 percent if it is made by personnel department officers, (the percentages represent frequency of use and total more than 100 percent because of the occasional use of multiple sources of evaluation).
- Self-appraisal:** even that can be surprising, self-appraisals are sometimes used in companies. Even that these kinds of appraisals have the tendency of show inflated results and a with big

difference compared to the ones presented by the supervisors. Besides that, they can be helpful to compare between employees and supervisor's responses, and discuss the two perceptions shown in the forms. The discussion must happen in a supportive and objective environment. Another reason, is linked with the participation of the employee in the set of the goals. The self-appraisal can allow the employee to see his own accomplishment in a more honest way. Self-appraisal also helps in self-development. Despite this, this kind of appraisal does not have much influence on reward decisions.

- **Peers or co-workers:** peers can observe a given employee longer and in many different situations than the managers. Peers have more contact; therefore, they can make a bigger analysis of their colleague's performance. Compared to self-appraisal peer appraisals are usually less inflated. However, there is also a big difference compared to the manager's one. One of the possible reasons of this difference could be the change of behaviour that employees do when they are with their supervisors. Even all of this, peer appraisal is not often used in companies. The friendship between employees and the possibility of harsher appraisals between employees in order to get the reward for themselves, cause that not a lot of managers are predisposed to use this kind of appraisal.
- **Subordinates:** subordinates usually have a very different perspective on their supervisor's performance. Most of the personnel are afraid of doing this kind of appraisal because of the possible consequences of rating their manager, if the unit is small anonymity can be difficult to maintain. A lot of employees think also that it is not their responsibility to rate their own boss or that they cannot do it. This kind of evaluation is good for the managers to self-diagnose their performance and have personal feedback directly from their employees.
- **Other sources of appraisal:** people outside the company or that are immediate working with the employee or unit may be required to perform an appraisal. This situation includes costumers, clients or consultants among others. The consultant option it is not usually used due to the cost associated to it. Consultants collect information from everyone that is in contact with the employee and therefore, have performance information from him. This kind of appraisal that gets data from several sources is called 360-degree feedback.

Finally, the Table 1.12, where are described the advantages and disadvantages of each source, can help to decide which source is for the appraisal in the current situation of the organisation:

Table 1.13: Advantages and disadvantages of different appraisal sources (Source: Organizational behavior, Robert P. Vecchio)

Source of Appraisal	Advantages	Disadvantages
Immediate supervisor	Makes decisions on rewards. Has perspectives on all subordinates.	Personal bias possible. Supervisor may be removed from subordinates.
Self	Unique perspective. A useful basis for comparison. Useful for self-insight.	Likely to be too lenient.
Peers	Greater exposure to appraise. More accurate assessment.	Competitive atmosphere confounds usage.
Subordinates	Can give diagnostic-type feedback.	Can subvert the leader's authority.
Superiors of other units	Can be less subjective.	Too removed from the individual.
Customers or clients	Gives input from immediate client group.	Only sees limited facet of appraise.
Consultants	Complete, thorough appraisal.	Too expensive for use with all employees.

Another important choice that the company must take is how the appraisal will be conducted. Ideally, the best option would be that one that is completely objective, the problem remains in there is not any system that accomplish this. There is always a subjective vision in some aspects from the person chosen to perform the evaluation. Given the need that all the appraisals methods will have a subjective component attached to them, it is necessary to know the most common ones to be able to choose the best one depending on the current situation of the company. Now the major methods that are in use will be described (Robert P. Vecchio, 1995), Figure 1.16:

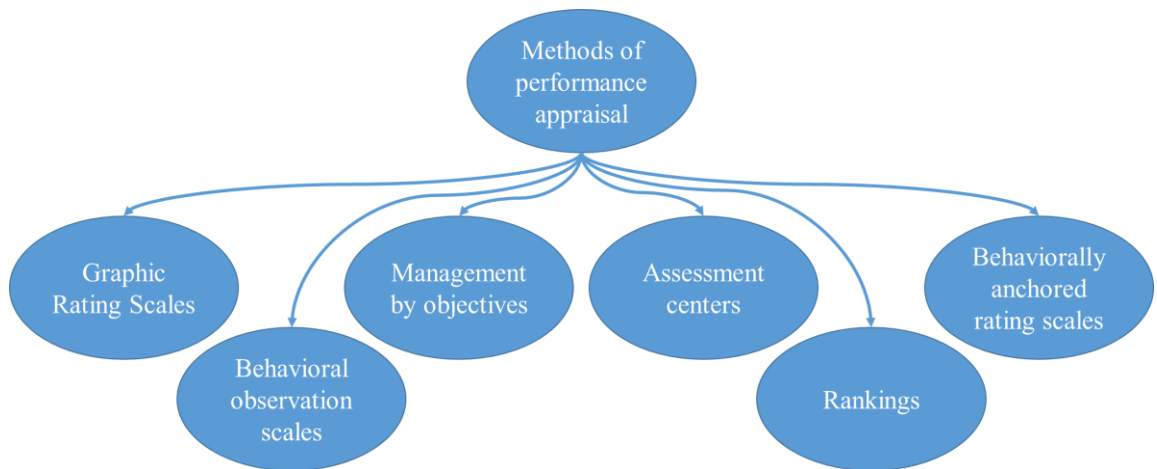


Figure 1.16: Main methods of performance appraisal, developed by the author

- **Graphic rating scales**

This is the most common method for appraisals, it consists on using a graphic rating scale. Such scales are usually formed by a continuum of points that are anchored by mutually exclusive descriptive adjectives. One example could be:

Motivated : ——— : ——— : ——— : ——— : ——— : Unmotivated
 1 2 3 4 5

The person that is doing the evaluation should put a check over the position on each continuum that best reflects the appraisal of the employee on the dimension studied. This method is widely used because they are easily made and complete. However, these lists present some problems. One of them, is that they can turn into a format for recording the like or dislike of an employee by the evaluator. Relying on anchors that are not tied to job behaviours can end in as an outcome which reflects sexual or racial biases on them. Even that ratings based on behaviour-specific can reduce bias, there is always a part of it remaining.

Using graphic rating scales present some reporting errors:

1. **Halo errors:** this error happens when the person in charge of the evaluation completes all rating scales in accord with an overall impression based on only one aspect of the employee's performance, instead of judging each scale independently.
2. **Central tendency error:** the evaluator uses only values in the middle of each scale.

3. **Leniency and harshness errors:** the evaluator usually gives extremely favourable or unfavourable appraisals of the employees.

Despite these errors, according to book *Organizational behavior* written by Robert P. Vecchio in 1995, more of the half of all the large organisations use this kind of performance. Training the evaluators can help to reduce the errors mentioned before.

- **Rankings**

An alternating ranking technique needs that the evaluator write the name of the employee that have the best performance. After, the evaluator must write the poorest employee in terms of performance. Then, the evaluator writes the second-best performer and the second-poorest performer until all the employees are on the list. This method helps the manager to sort out the appraises, it is not possible that everybody has the same evaluation. Spreading the personnel helps the decision process about the rewards or sanctions. One variation of rankings is the paired comparison, this technique requires the manager to think of each employee in conjunction with the others. Usually a matrix is needed to compare the different employees, Figure 1.17:

	Violeta	Jeremy	Solene	Julien	Mathilde
Violeta					
Jeremy	Violeta				
Solene	Violeta	Jeremy			
Julien	Violeta	Julien	Julien		
Mathilde	Violeta	Mathilde	Mathilde	Julien	

Figure 1.17: Example of a paired comparison, developed by the author

The previous figure, Figure1.17, shows the different performances compared between all the employees. The main problem of this technique is that with large groups of employees the comparisons increases.

Another ranking format is the forced distribution. This format is used in Exxon, it needs that the person in charge of the evaluation assign percentages of employees to each of the classifications, (R. Levering, M. Moskowitz, and M. Katz, *the 100 Best Companies to Work for in America* Reading: Addison-Wesley 1984). One example could be that 10 percent of the employees

must be assign to both categories excellent and unacceptable, 20 in the above average and poor categories and 40 percent in the average category. The forced distribution even that solves some errors has a new one, in order to follow the percentages, it is possible to end in unjustifiable distributions. One problem that share all the ranking techniques is that employees may find difficult to accept that they are below the average.

- **Behaviourally anchored rating scales (BARS)**

This technique uses examples of employee behaviour as anchors for performance dimensions, organisational, etc. If the BARS are correctly designed it is a very accurate system for appraising the employee's performance. To designed one must follow the next steps:

1. Gather the statements that describe competent, average and incompetent behaviour.
2. Categorize the statements in terms of performance dimensions such as skills or technical knowledge, and discard those that are ambiguous or not classifiable.
3. Rate each incident on a seven-point scale, 7 for outstanding, 4 average and 1 poor performance by the judges.
4. Select the specific incidents that have to serve as anchors on the final scale, the average mark of the judges is used as the numeric index for the anchor.

The Bars scales have more meaning to the evaluators than the ones that attempt to assess traits. The involvement of the evaluators in the creation of the scale helps to persuade the participants of the importance the appraisal process. Also, this kind of appraisal helps to identify the weaknesses and strengths of the employees. The main problem is that sometimes it can be difficult to relate the specific behavioural anchors and the employee's performance. Also, as problems we can find the time consuming and cost of constructing this kind of appraisal. BARS usually cannot be used across jobs or over a long period for the same job, one example is shown in Figure 1.18.

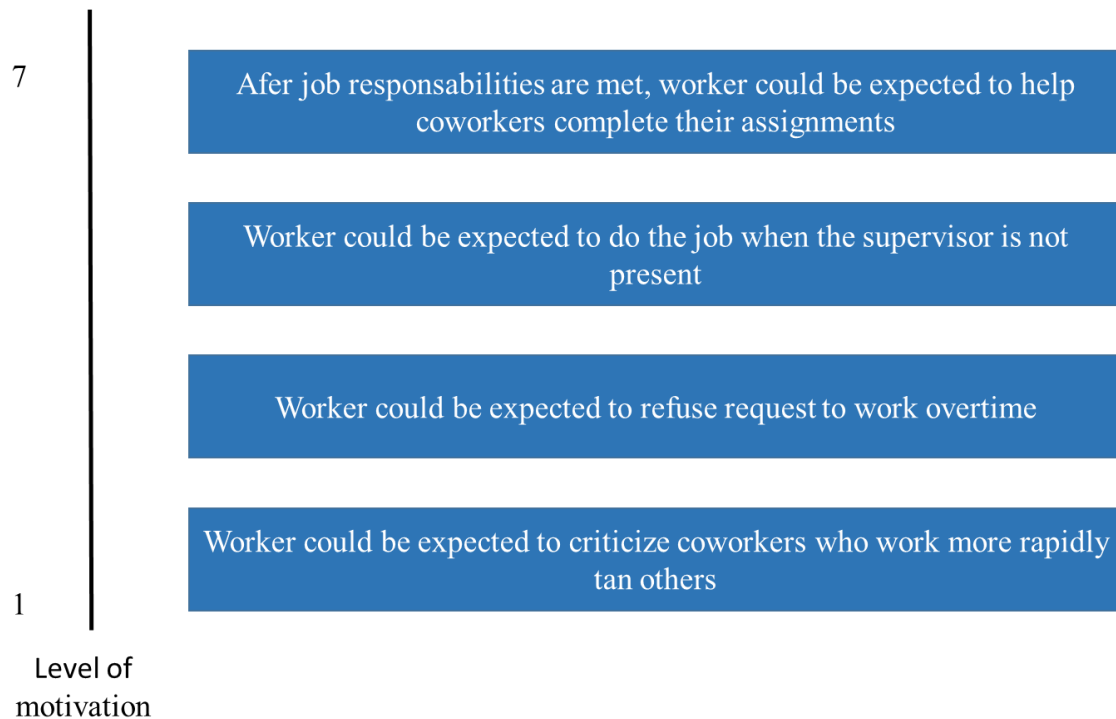


Figure 1.18: Example of a behaviourally anchored rating scale (Source: Organizational behavior, Robert P. Vecchio)

- **Behavioural observation scales (BOS)**

Gary Latham and Kenneth Wexley developed this technique. It uses a critical incident technique in which jobholders and managers create examples of performance behaviours that can characterize an entire job. The examples that are too difficult to be detected are eliminated from the list. The difference with BARS is that in BOS the evaluator indicates the frequency of when an employee shows the behaviour, in BARS instead, the evaluator defines superior versus inferior performance. Also, BARS is more focused on showing a particular behaviour in a certain period. Being BOS more specific than other method, allow to discuss specific behaviours instead of personal feelings or impressions. There is not a lot of evidence about the limitations of the BOS systems. Latham and Wexley suggested the following scale should be used, Figure 1.19:

Assing a Numerical rating of	If the behaviour is	Observed % of the time
1		0-64
2		65-74
3		75-84
4		85-94
5		95-100

Figure 1.19: Scale suggested by Latham and Wexley for behavioural observation scales (Source: Organizational behavior, Robert P. Vecchio)

The evaluator assigns a numerical value that is connected to the percentage of the time that the employee evaluated performed the behaviour selected.

- **Management by objectives (MBO)**

MBO can be used for evaluating the employee's performance. The essential elements in this technique are:

1. Manager and employee meet to set specific goals and the means for achieve them.
2. Manager aids the employees in their efforts to reach the goals.
3. Manager and each employee meet at the end of the stablished period to review the results.

The last point represents the appraisal process. The connection between the achievement of the goals and a reward it is a powerful way of enhancing performance. The problems of this method are the additional paperwork generated and time-consuming meetings. Not many employees are looking for these kinds of situations. Another one can be that the employee will set easy goals to get the reward. Also, MBO can be more focused in some specific areas leaving other ones unattended and scarifying accomplishment in those areas. One example of BOS and how to scale it could be:

1. Usually works without the safety equipment.

Almost never	1	2	3	4	5	Almost always
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- **Assessment centers**

An assessment center is a place where appraisals of individual managerial skills are conducted over a period of several days. The appraisal includes a lot of methods and aspects such as interviews, testing, peer appraisal or appraisals by experts among others. These sites exist to appraise individual's current managerial ability as opposed to their past performance. This can serve to make decisions such as promotions, also assessment centers serve to foresee the future performance of the employee.

Based on their observations, the center's staff generates a report for each employee that is suitable for the promotion. These reports are detailed and describe the strengths and weaknesses of the candidates. Some studies have demonstrated that these centers can successfully predict the later job performance. However, the centers are not cheap, and sometimes they are not familiarized with the specific conditions of a position in a certain company. to solve the last issue, some organisations use their own managers as observers in the tests performed in the centers.

Depending on the company and their current situation the managers should decide which method will be more useful and effective to the company.

2. THEORETICAL PART

2.1. Performance management concept and key factors

The phrase performance management, according to Michael Armstrong, (Performance management 1994), was first used by Beer and Ruth in 1976. It seems that it is an old concept but, it was not recognized as a distinctive approach until the mid-1980s. Companies realized that a more integrated and continuous approach was necessary to manage and reward performance; the systems of performance and bonuses implemented back then were all too often failing to deliver the results that managers and executives were expecting from them. Performance management was born from the bases of those systems, but somehow, it discredited the systems only based on merit rating and management by objectives, (Amstrong 1994).

One possible definition for performance management is the one given by Berkeley human resources. They define performance management as an ongoing process of communication between a supervisor and an employee that occurs throughout the year, in support of accomplishing the strategic objectives of the organization. The communication process includes clarifying expectations, setting objectives, identifying goals, providing feedback, and reviewing results. However, performance management is not only a process of communication, and much less only with the supervisor and the employee. It is the company philosophy, it establishes the company goals and it has to be known for all the workers. All of them need to know the porpoise and meaning of their actions.

Michael Armstrong, 1994, defines performance management as *“an integrated and strategic process that can provide success to companies by improving the performance of the personnel and by developing the capabilities of the units, teams and individual contributors”*. Performance management is strategic in the sense that it tries to deal with the principal and broader issues that the business faces, where the main one is to function effectively in its environment and aligned with the long-term goals and philosophy, decided previously, that the company wants to achieve. The integrated concept of performance management is referred in these two ideas:

- **Vertical integration:** linking or aligning the individual, team and business objectives with core competences.

- **Horizontal integration:** it links different aspects of human resource management, mostly organizational development, reward, and human resource development, in order to achieve a logical approach to the management and development of people.

Before getting into more details and specific information about performance management there is a previous thing that has to be explained. Performance management talks about performance, but what the meaning of performance? Without explaining and understanding the meaning of performance it is not possible to manage or measure it. Bates and Holton (1995) have pointed out that *“performance is a multi-dimensional construct, the measurement of which varies depending on a variety of factors”*. They also state that *“it is important to determine whether the measurement objective is to assess performance outcomes or behaviour”*.

In the previous definition appear two concepts, the performance outcomes and behaviour, however not all the definitions given coincide on this. There are several views on what performance is. Some think that is just simply the record of the outcomes achieved, if it is referred to an individual performance is the record of his personal achievements during a certain period. Kane (1996), said that *“performance is something that the person leaves behind and that exists apart from the purpose”*. Another different vision, is the one given by Bernardin et al (1995), he thought that *“performance should be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of the organization, customer satisfaction, and economic contributions”*.

But what someone will find if he looks for the word on a dictionary? The Oxford English Dictionary defines it as the accomplishment, execution, carrying out, working out of anything ordered or undertaken. The definition refers to outputs and outcomes but also states that performance includes doing the work as well as achieving the results set before it. Then performance can be explained as the way in how companies, units and individuals get the work done. Campbell (1990) stated that *“performance is behaviour and should be distinguished from the outcomes because they can be contaminated by systems factors”*.

If performance englobes both behaviour and outcomes a more comprehensive view is achieved. Brumbrach (1988), gave a definition of performance that includes both aspects:

“Performance means both behaviours and results. Behaviours emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviours are also outcomes in their own, right the product of mental and physical effort applied to tasks and can be judged apart from results”.

The previous definition leads to the following conclusion, when managing the performance both individuals or teams, it is imperative that inputs (behaviour) and outputs (results) must be considered. This statement is the so-called mixed model (Hartle, 1995) of performance management. The model integrates competence or capability levels and achievements as well as the process of setting the objectives and the review process.

Performance management is a process that includes all the company levels, managers and the units and employees they manage. It is based on the concept of management by contract instead than command, however this does not mean that it is not necessary to include high performance expectations in such contracts. With a good performance management system, the performance of the employees should follow the following graphic, Figure 2.1:

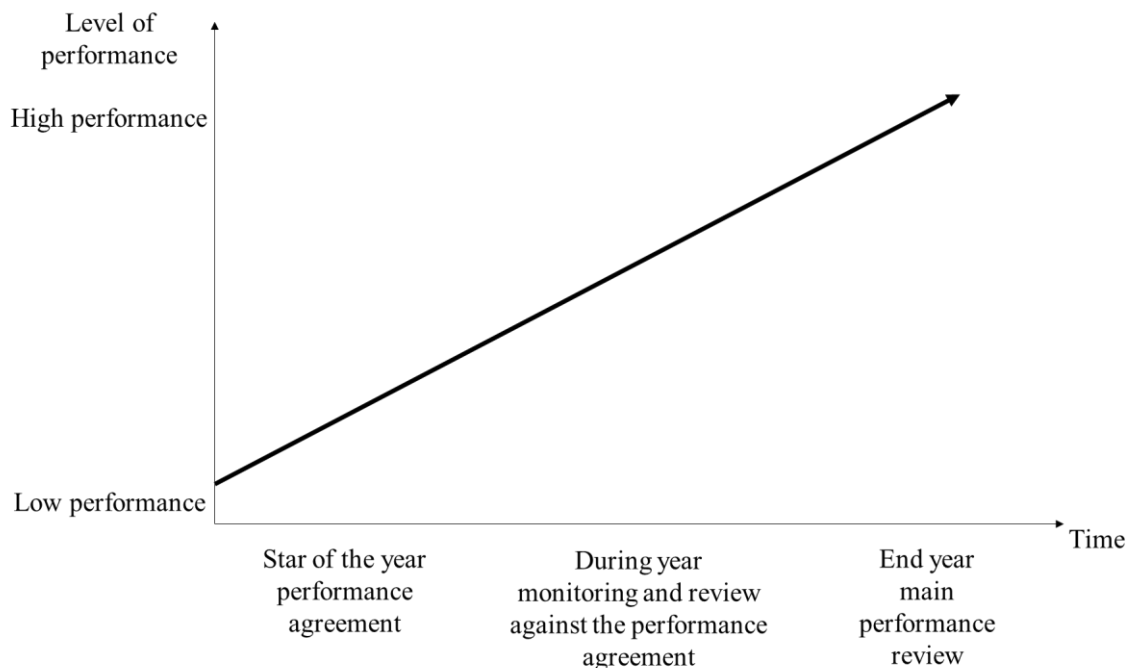


Figure 2.1: Expected evolution of the performance of an employee following good performance management system (Source: Michael Armstrong, Performance management 1994)

In the previous figure, Figure 2.1, one can see the different stages of the performance management during the year. At the beginning of the period the usual performance of the employee is low. In case that the performance is considered low, techniques of coaching and counselling should be implemented in order to revert the situation. Once the employee has improved his performance, and has reach better levels of performance, then the techniques should be focussed in reinforce through recognition the employee performance, such as financial or non-financial rewards, praise, or additional responsibility.

Dr. Herman Aguinis, from the Edinburgh business school, explains in his book Performance Management 2005, which are the principal characteristics of an ideal system of Performance Management, as we can see in the Figure 2.2. The following characteristics are likely to allow the system to be successful. Some specific situations or companies may not allow the implementation of all this features. But, it is strong recommended to try to include all of the characteristics in the system, as more of them are included, the more likely is that the system more likely will fulfil his porpoise. The characteristics are shown in the Figure 2.2:

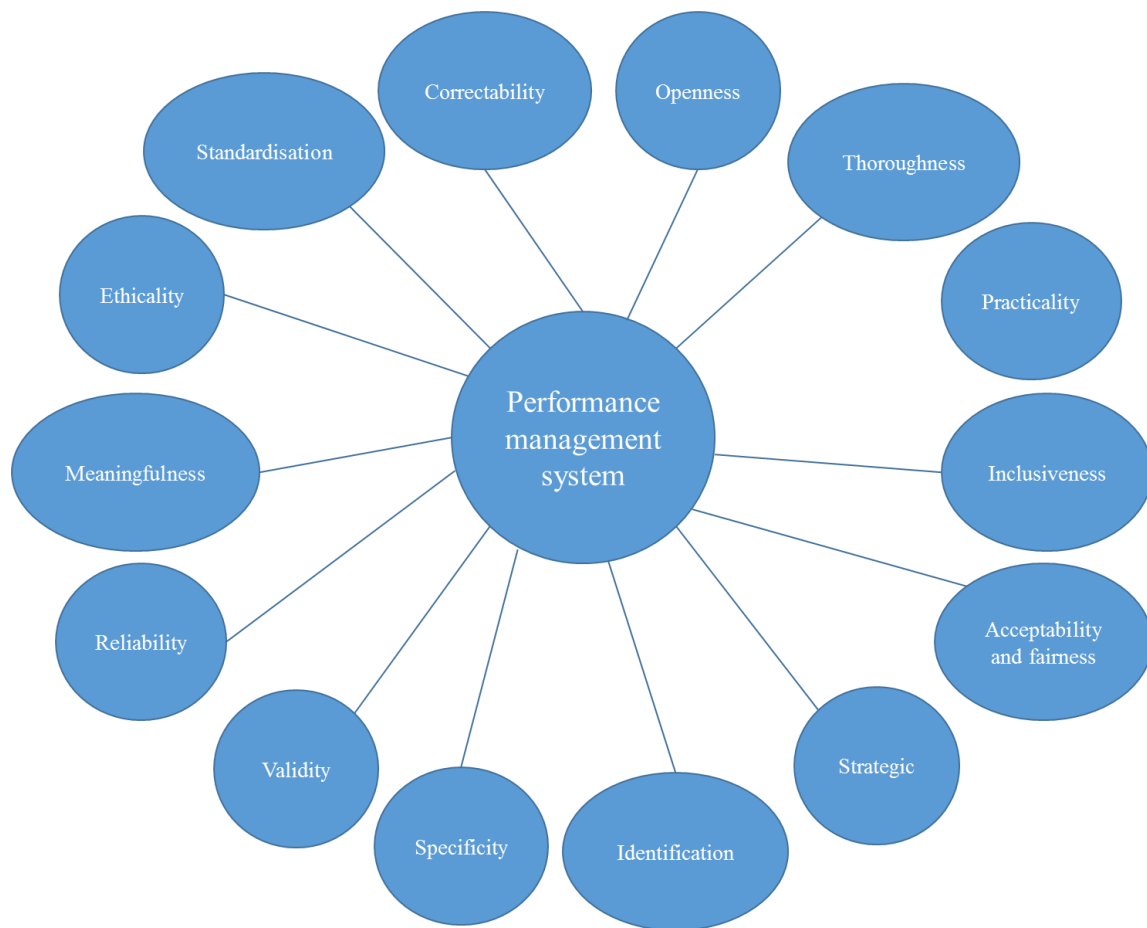


Figure 2.2: Key factors that a performance management system must include to success based on the list provided by Dr. Hermans in 2005, developed by the author

- **Strategic congruence:** the system should be congruent with the company's strategy. The individual goals must be aligned with unit and organisational goals.
- **Thoroughness:** the performance management system should be thorough regarding four dimensions. The first one, all employees, including the managers, should be evaluated. Secondly, every job has a responsibility associated, therefore all major responsibilities should be evaluated, included those linked with behaviour and results. Third, the evaluation should be during all the review period, the performance spanning evaluated should not be just the few weeks or months before the review. Finally, it is very important that the feedback is given on the aspects that have to be improved as well those that have had a positive performance.
- **Practicality:** the systems must be practical, all of those that are too expensive, convoluted and time-consuming will not be effective at all. The good systems are designed in an easy and

available way to be used, like have user-friendly software for introduce the performance data, and are acceptable to all who will use them for making decisions. At the end, the benefits of using the system in the company must outweigh the costs like effort, money or time.

- **Meaningfulness:** every system has to have a purpose, must be meaningful in several ways. First, the evaluations and the standards that are conducted for the different job functions must be considered relevant and important. Also, performance assessment has to be focussed only in the functions under the control of the employee. For example, there is no point in demand the increase of the speed of service to an employee if it is the supplier the one that does not deliver the product to him in time. The evaluations must be performed in regular intervals in time and at appropriate moments. Normally, the performance of just one formal evaluation per year is not enough, so it is recommended to make informal quarterly reviews. Another important aspect is that the performance management system should provide continuing enhancement for the personnel. Finally, the results should give information for important personnel decisions and should be used for that purpose. People will not pay attention and take the system seriously if it has not any consequence.
- **Specificity:** a good system must be specific, meaning that should provide specific and concrete guidance to the personnel about what is expected of them and how they can reach and make these expectations.
- **Identification of effective and ineffective performance:** the performance management system should provide information allowing identify the effective and ineffective performance. This means that the system should give the information in a way that permit the person which analyses it, to distinguish between effective and ineffective behaviours and results, thereby allowing the manager sort out the employee's display by levels of performance effectiveness. There is no point in having a system, in terms of decision making, that classifies or ranks all levels of performance, and all the personnel, similarly.
- **Reliability:** a good performance management system should include measures of performance that are free of error and consistent. One example could be the following situation; two supervisors have provided the rates of the same employee, if the system is correctly designed, the rates should be similar.
- **Validity:** in a good performance management system, the measures of performance should also be valid. The validity is referred to the fact that these measures include all the relevant

information about the performance facets, and also, do not include the irrelevant performance information. To put it in other words, they include all the critical aspects of the performance, are not deficient and are not contaminated; they not leave any factor outside the control of the employee.

- **Acceptability and fairness:** all the personnel and participants have an acceptable vision and a perception of fairness if the performance management system is correctly designed. The perception of fairness is subjective; each employee will have his own perception; to identify the vision of the employees, the only way is asking them if they think that the system is fair. There are different questions that one can make, but maybe one of the best ones to know the opinion of the employees is ask them about the distributive justice. The distributive justice includes their perception of the performance rates and evaluation received related to the performance of their work, and the perception towards the rewards received depending on the evaluation received. If a discrepancy appears between work and the evaluation, or between the evaluation and the rewards given to the employees, then it is safe to assume that the system it is perceived as an unfair one. Also, another aspect to ask is the procedural justice, this aspect includes perceptions of the different procedures used to determine the rating and also, the procedures used to connect the rating and the rewards. A system is inherently discriminatory; this fact can make that some employees will receive grades lower than those received by other employees. That is why the company should work hard to develop systems seen as fair from a distributive and procedural perspective. If one employee has the perception that the system is not fair in a distributive way, this situation is likely to lead towards a poor relationship between the employee and the supervisor, also to a lower satisfaction with him. On the other hand, if the employee has the perception that the system is unfair in a procedural way the usual outcome is; a decreased commitment towards the company and an increase of the intention to leave the company.
- **Inclusiveness:** a good performance management system has multiple input sources and ongoing basis. At first, the process of evaluation must represent and include the concerns of all the people who will be affected by the outcome of it. In order to achieve that, is important that the personnel participate in the process of creating the system by providing inputs about what performance, behaviours and results will be measured and how are they going to be measured.

Finally, the employee's input about his performance should be gathered from the employee himself before the appraisal meeting, make them part of the evaluation process.

- **Openness:** a good performance management system has no secrets. The performance is evaluated frequently; and the feedback about it is given on an ongoing basis. So the personnel are continually informed of their performance and results. The appraisal meeting has to be a two-way communication process, the information must be exchanged, it cannot consist in just the delivery of the information of the employee from the supervisor. Finally, the standards for the performance evaluation should be clear for every employee, if there are any changes they should be communicated on an ongoing basis; also, communications should be factual, open and honest in order to keep the openness of the system.
- **Correctability:** the subjective aspects should be minimum in the ratings. However, it is nearly impossible to make a completely objective system because the human judgment is part of the evaluation process. That is why if the employees perceive that an error has been made, there must be a mechanism through which this error can be fixed. Establishing appeals processes which the personnel can point out and explain what could be unjust decisions is an important aspect of a good system.
- **Standardisation:** as has been explained before, a good performance management system has to be perceived as fair for all the personnel. In order to do that the system has to be standardised. This means that performance is rated and evaluated consistently across people and time. For achieve it, it is a duty of the company to train continuously the people in charge of the appraisals of the employees, usually the managers.
- **Ethicality:** a good performance management system complies with ethical standards. The supervisor has to suppress his personal self-interest when providing evaluations. The supervisor has to only evaluate the performance, of the employees which he is responsible of, based on the information he has about them and at the same time, respecting the privacy of the employee.

But not everything related to performance management is positive, even in a good system can appear some negative consequences. Even that later there is a section in the thesis focussed in this matter, here it is given an example of how performance management can have negative outcomes at the same time. A recent study (Qualitative study of views and experiences of performance management for healthcare-associated infections, 2016) based on applying performance management in different hospitals from the UK, showed that applying different

measures of performance management helped to improve the health care of the facilities, but also proves that can create conflicts between departments caused for the fear towards failure or personal interests. This is a typical cause that can appear if the performance management is not applied correctly. If the managers of the company put their goals on their top priority list instead of the company goals, that usually ends in a situation where the communication stop fluxing between the departments and resentment can appear between managers. Also, failure is seen like a symptom that something is going wrong, which is true, but in a lot of companies this is an excuse for looking for starting a witch hunt instead of trying to understand what was the origin of the setback. The paper collects some interviews that reflect the problems explained before: workers which modifies their results in order to protect their jobs or avoiding a reprimand of their bosses.

It is important to understand that applying performance management does not show immediate results, is a long process that evolves all the time. Even more, not only the company has an impact in the process, there are many causes that influent in performance management, such as the law regulations applied to the businesses, culture of the country, government, society are other factors that have to be analysed. For example, in the previous research paper described, it is explained that the performance management came from the exterior, the department of health.

Performance management includes a lot of aspects of the company, one example is the product portfolio management (PPM). A recent study in innovative Brazilian companies (Daniel Jugend, Sérgio Luis da Silva, Manoel Henrique Salgado, Paulo Augusto Cauchik Miguel, 2016) makes the hypothesis that a positive correlation exists between PPM and the formalization of a product portfolio. They made several surveys to a sample of companies in the electronics and computer sectors. The study reflects how the bigger companies apply these procedures more intensely than small and medium companies, but also that the larger companies have problems in fulfilling the portfolio performance objectives.

The research proves that formalization and systematization practices (Hauser, Tellis, & Griffin, 2006; Kahn et al., 2006) are directly linked to the achievement of the product portfolio performance objectives. Some researchers (Cooper et al., 1999; Jacobs & Swink, 2011), affirm that PPM aims to help companies with regard to making a business strategy viable, optimizing resources, minimizing risk, and reducing time to market in new product development (NPD). This helps the company to prioritize on the viable resources available at the moment and how to allocate

them in the most promising products, also (Cooper et al., 1999; Cooper, Edgett, & Kleinschmidt, 2000) claim that PPM aims to accomplish three principal performance objectives:

- **Strategic alignment:** strategy for the different products that the company possess.
- **Balance:** establishment of the products projects, considering all the variables.
- **Maximized portfolio value:** optimization of the resources and the expected return.

Some another researchers, (Jugend & da Silva, 2014; Killen et al., 2008; McNally et al., 2013; Meskendahl, 2010; Mikkola, 2001; Oh et al., 2012; Perks, 2007), emphasize the importance of fulfilling the three objectives listed before. In order to achieve it, it is strongly recommended to use different methods of management such us: financial methods, marketing and market research information, checklists, etc. (Archer & Ghasemzadeh, 1999; Chao & Kavadias, 2008; Killen et al., 2008).

Performance management takes a comprehensive view of the constituents of performance, understanding of how these constituents contribute to the outcomes desired at the company, departmental, team and individual levels, and what is need to be done in order to improve these outcomes.

In fact, performance management is based on the belief that everything that employees do at work at any level has a contribution on the achievement the goals of the company. That is why performance management is concerned with what the personnel do, how they do it and what they achieve, (their work, their behaviour and their results). The main purpose is to increase the company, teams and individual effectiveness and, at the same time, develop knowledge, competence and skills. In order to achieve that, performance management includes all kind of formal and informal measures, it is not a system just run by the human resources department, that functions once a year with an annual appraisal and is then forgotten. On the contrary, it is just the opposite, in fact the combined impact of all the aspects included in performance management are expected to achieve more, than the different parts if they function separately. That is why when designing and operating the performance management system, it is very important and necessary to consider the interrelationships of each process.

The principles of performance management have been well summarized by IRS (1996) and are shown in the next figure, Figure 2.3:

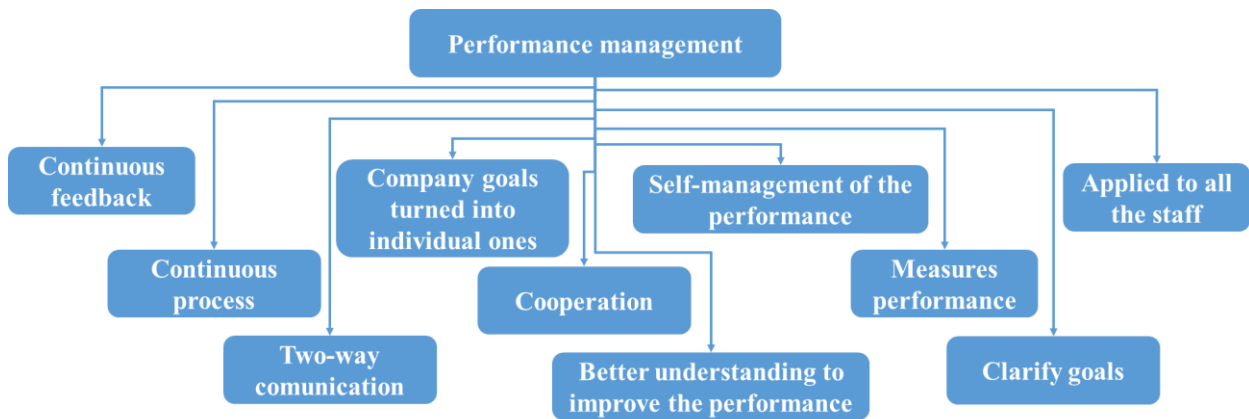


Figure 20: Performance management principles based on the list by IRS in 1996, developed by the author

The principles are:

- Performance management translates company goals into individual, team, department and divisional goals.
- Performance management helps to clarify the company goals.
- Performance management relies on cooperation and consensus rather than coercion and control.
- Performance management is a continuous and evolutionary process, in which performance improves during all the process and time.
- Performance management creates a shared understanding of the requirements to improve performance and how this will be achieved.
- Performance management requires a management style that is honest, open and encourages two-way communication between managers and employees.
- Performance management encourages self-management of own individual performance.
- Performance management requires continuous feedback in all the levels.
- Performance management, like it has been said before, requires feedback. Feedback allows that with the experiences and knowledge gained on the job by each employee, modify corporate objectives.
- Performance management assesses and measures all performance against the goals agreed jointly at the beginning of the process.

- Performance management should be applied to all staff, also performance management is not primarily focussed in linking performance to a financial reward.

Also, there are some aspects that should be more explained after the previous list. Firstly, performance management is concerned with performance improvement with the purpose of achieve company, units and individual effectiveness. Lawson (1995), stated that *“the organizations must get the right things done in a successful way”*.

Secondly, performance management is concerned with employee development. It is not possible to achieve performance improvement unless there are different effective processes of continuous development. This drives the capabilities of each employee and team and the main capabilities of the company.

Thirdly, performance management is concerned with fulfilling the expectations and needs of all of a company stakeholder's owners, management, personnel, suppliers, customers and general public. The personnel should be treated as partners in the company, their interests should be respected and their opinions should be listened and matter. Performance management also respects the needs of each employee and team as well as if they were from the own company, recognizing that sometimes they will not always be aligned.

Finally, performance management is concerned with communication and involvement. Performance management has the ability to create an environment in which dialogue between managers and their subordinates happens continuously, in order to set the expectations and share information about the values, mission and goals of the company. This fact allows to a mutual understanding between the staff of what is to be achieved, and a small vision of the current situation which can be used for managing and developing people to ensure that it will be achieved. Performance management can also produce and develop a high-involvement towards the company by the personnel, this feeling appears by getting the employees and teams to participate in the process of designing their own goals, objectives and the means to achieve them.

Before finishing this section is important to emphasize that performance management should operate under some ethical considerations, Figure 2.4. These considerations were

defined by Winstantley and Stuart-Smith in 1996, there are represented in Figure 2.4 and listed below it:

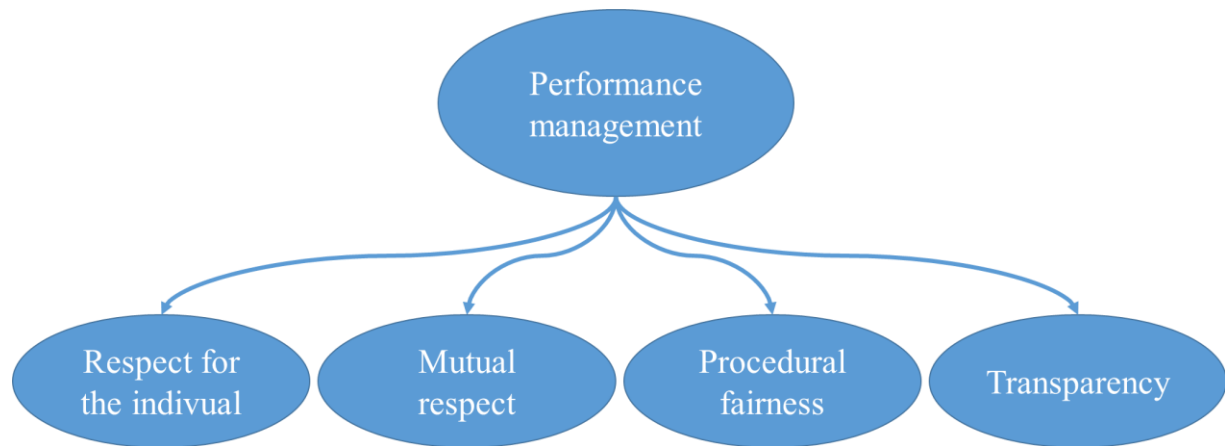


Figure 2.4: Ethical considerations that performance management must operate under, based on Winstantley and Stuart-Smith list, developed by the author

- **Respect for the individual:** people should be treated as ends in themselves and not merely as means to other ends.
- **Mutual respect:** everyone involved in performance management processes should respect each other's needs and concerns.
- **Procedural fairness:** the procedures incorporated in performance management should be operated fairly to limit the adverse effect on individuals.
- **Transparency:** people affected by decisions emerging from the performance management process should have the opportunity to scrutinize the basis upon which decisions were made.

Finally, the following figure, Figure 2.5, sums up all that has been mentioned in this section about performance management.

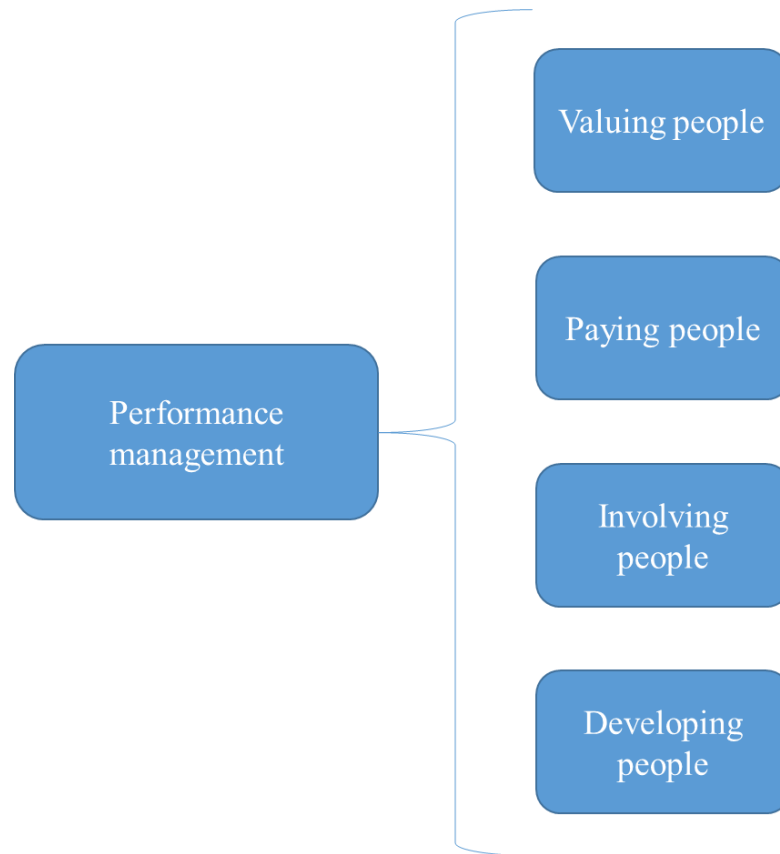


Figure 2.5: Main aspects of performance management based on the book of Performance management written by Michael Armstrong, developed by the author

Performance management is about all the concepts reflected in the Figure 2.5, valuing, involving, developing and also paying people.

2.2. Performance management influencing factors

Performance management is determined for several internal and external factors, a research paper analyses these aspects for the IT industry (Performance Management Challenges in IT Industry by Anvarasu Thangavelu and Dr. J Clement Sudhahar 2014), from the paper we can obtain the main aspects that affect performance management, Figure 2.6.

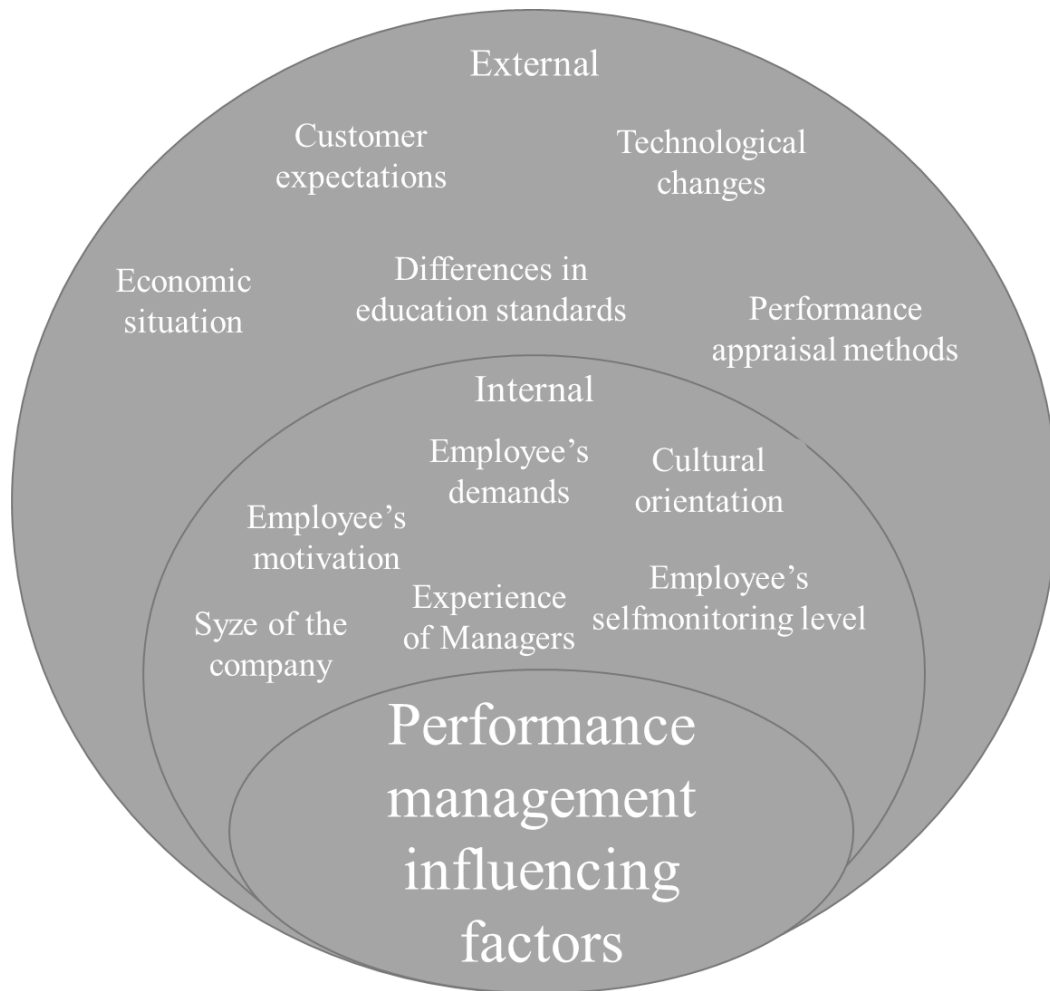


Figure 21: External and internal factors that affect performance management based on the research paper performance management challenges in IT industry, developed by the author

2.2.1 Internal factors

- **Size of the company:** it is quite obvious that as bigger the company gets; it is harder to apply an objective system of performance management. The large numbers of employees and tasks make it difficult to manage it. The geographical spread of the organization plays an important role too, the nature of the work done by the employees across the geographies is very varied and the performance management should include that.
- **Experience of Managers:** when the employees have performance related discussions with their manager, experience is vital. Is very important that the manager appraise the reports objectively.

- **Employee's Motivation Perform:** the level of motivation shown it is linked to the job satisfaction achieved by the employees. This job satisfaction is impacted by many parameters, good assigning of the jobs, promoting the employees to the right levels (Phelps, 2005), setting the right goals and expectations, wetting a clarity role to the employees and enabling them to have the right skillsets. These are very important in order to create the right level of motivation for the employee, (Tjosvold & Halco, 2001).
- **Demands of the employees:** in large organizations, which have multiple offices in a lot of different locations, many demands appear. The employees have constraints to work in a particular city and a particular office. Usually, as higher the mastery of the skills an employee is, higher are his demands. Sometimes, this can result in inflexibility, and this inflexibility creates situations where one right skilled employee is no assigned to the most suitable task to satisfy his or other's one demands, reducing the expected performance.
- **Cultural Orientation:** in a globalized world, it is usual to have employee from several cultures. The employees have different level of exposure to the other cultures while they are on assignments to various countries. This can create differences in the expectations of the employees or managers which impact the appraisal process.
- **Self-Monitoring level of Employees:** self-monitoring, is an inherent habit of an employee, like the emotional maturity. Both have a direct impact on his/her career progression. The ones that have a high self-monitor skill usually have the ability to create a high visibility of their achievements than the ones that have low self-monitor skill, (Kilduff & Day, 1994). Also, having an emotional maturity helps in long terms, but sometimes, can cause that people with high emotional maturity lose out to the people with less emotional maturity in the short term.

2.2.2 External Factors

- **Economic Situation:** when the world economy is good, the volume of business increases. This situation usually causes that the performance management process becomes lenient and a lot of people is rewarded having bonuses, promotions or higher salaries. Employees can become less flexible, more demanding and the probability of higher dissatisfaction level increases. Here is when it is important to continue applying a good performance management policy to avoid these situations. When the economy is down, the focus usually changes into increase the profit margin. The performance management process becomes very strict and the rewards decrease,

the employees become more flexible in taking up new tasks in order to make sure that they will retain their jobs.

- **Differences in Education Standards:** companies hire students from multiple disciplines, colleges and universities with different academic focus. The students are usually selected and evaluated based on common skills. There are sustainable differences in the knowledge levels of the students joining the companies. Some organizations make training programs to these new hires at the beginning of their employment to ensure that the new employees know the basics concepts, organizational culture, technical skills common to the hiring business unit, and any specific skill needed for a determined project for their immediate placements. At the end, the quality of the new employees is so much dependent on the standard of education received in the college.
- **Customer Expectations:** the pressure applied by the customers to get their products, services faster to end users/consumers has increased in the last years. Also, the customer expectations from the companies to develop and deliver their product or services faster has increased too. This fact puts a lot of pressure to the organizations, making that sometimes, the performance management is not a priority, the customer is the principal priority.
- **Technological Changes:** the advances in technology brought a lot of changes, and connectivity options to the employees to perform their work. Not only has change the performance of the work, also the environment has shifted from an office space to home and the employee's mobile devices. These days, the employees are now connected to work all the time. This situation, adds so much pressure on the employee's performance and also to the complexity of the performance measurement.
- **Performance Appraisal Methods in use:** there are many performance appraisal methods in use in the different companies. Usually the smaller organizations use the rating scales methods based on the past performance, while the bigger ones use a combination of appraisal methods to assess the past and potential performance of the workers they have. For big companies, there is not a unique performance appraisal method that faces all the changes that are currently happening, like financial, business model, technology, resources... The performance management model should be designed to measure the past and potential performance of its employees, and their own performance taking in count the actual vision of the company. It is true that each company usually customizes the general models and creates a new one adapted

to his own necessities, but it is necessary a constant change to be made to the evaluation process according the current situation of the company. Employee's perception of the effectiveness and credibility of the performance appraisal process is one of the most important facts in the acceptability of the process by them, if the company cannot convince them of the effectiveness of the model the workers will not take it seriously.

From the different factors that affect performance management, one can extract to main ideas:

1. **Continuous process:** the performance management is an ongoing process. It is a never-ending process of setting goals and objectives, analysing performance, and the continuous feedback between the participants of the project.
2. **Link to mission and goals:** performance management needs that supervisors ensure that the employee's activities and outputs are aligned with the organisation's goals. That is why performance management creates a link between employee performance and the goals of the company, thanks to this link the employee has an explicit vision of his/her contribution to the company. If the system does not make explicit the contribution of the employee towards the company goals, then the system is not really a performance management system. Making this link between the employee and the goals explicit, serves to establish a shared understanding about how these goals are going to be achieved and which is the current situation.

It is important to understand the difference between performance management and performance appraisal, if the process only includes the evaluations during the year, without providing a feedback and coaching in order to improve the performance of the employee, is not a performance management system. It is only a performance appraisal system. The performance appraisal is a very important part of the performance management; however, it is only a part of it, (Dr. Herman Aguinis, 2005).

2.3.Performance management advantages and disadvantages

The book Performance Management written by Dr. Herman Aguinis, 2005, explains the different advantages usually associated to a good performance management system, which are listed and explained below:

1. **Motivation to perform is increased:** the motivation of the employee is increased if he receives feedback about his/her performance. The knowledge about how one is working and recognition of the tasks done successfully in the past causes an increase of motivation towards trying to fulfil future accomplishments.
2. **Self-esteem is increased:** getting feedback also fulfils a basic need, to be appreciated and valued at work. This, causes that the self-esteem of the employee increases.
3. **Managers gain insight about subordinates:** performance management provides new insights from the employee being appraised to the supervisors and managers. It is important knowing your employees, this statement has been recognised by the Management Standards Centre, saying that *“developing productive relationships with colleagues is a key competency for managers”* The gain of these insights into an employee’s performance and personality helps the supervisor to build the relationship with him. Also, managers obtain an objective and better understanding of each employee’s contribution to the company. This information is very useful for the current and future supervisors for that employee.
4. **The job definition and criteria are clarified:** the appraisal may clarify the job of the employee, and make it more defined for him. Employees get a better understanding of what is required from them and the results obtained because of their actions. Even more, they get the feedback necessary for understand what it takes to achieve a successful performer.
5. **Self-insight and development are enhanced:** all of the employees included in the performance management system are more likely to get a better understanding of themselves and their performance. Also, they understand the kind of development activities of value for them as they progress through the company. The employees can also obtain knowledge about their strengths and weaknesses, this knowledge is vital for them to decide future career paths.
6. **Personnel actions are more fair and appropriate:** the performance management systems give information about performance, which serves for make personnel actions such as promotions, merit increases, transfer and in case of bad results the termination of the employee. Usually, a good performance management system helps to distribute the rewards based in a fair, objective and realistic basis. That is why, these decisions based on the performance management system lead to improved interpersonal relationships and enhanced supervisor-subordinate trust.

7. **Organisational goals are made clear:** performance management systems provide clear goals for the different units from the company, also the employee gets knowledge of the repercussions of his/her actions in the company success. This link helps to the communication of what the employee's unit and the company are all about and how the company goals are connected to the employee's unit and from there to himself. The acceptance of wider goals can be improved by the performance management system too.
8. **Employees become more competent:** the performance of the employees improve, and this is caused by the performance management system. Even more, as the employees become more competent it is more probable that the implantation of developmental plans will succeed in developing and improving even more the employee's performance.
9. **There is better protection from lawsuits:** is important to save all the data collected during the performance management systems during a long period of time, it can help document compliance with regulations like for example equal treatment of employees. If the performance management system data is not correctly saved, or not well performed then it is when the arbitrary evaluations appear, resulting in an increased exposure to litigation.
10. **There is better and more timely differentiation between good and poor performers:** the performance management systems allow the supervisors and managers to rapidly identify the good and poor performers. Even more, the system obliges the managers to face up the multiple problems that appear during the performance, this can help also to identify the problems faster and address them before they become very costly.
11. **Supervisor's views of performance are communicated more clearly:** the performance management systems permit the supervisors to have conversations with the employees explaining them their judgements regarding performance based on objective facts. This is a big accountability in how supervisors discuss the expected performance from the employees and provide feedback to them. Management Standards Centre, lists both assessing and monitoring the performance of the employees *"as key competencies for supervisors and managers"*.
12. **Organisational change is facilitated:** performance management systems can be used as a tool to perform a company change. If the company wants to change one of his goals towards a new direction, once this direction is established, the performance management system can create an alignment between the new settled goals and the current culture of the company in order to achieve them. Employees receive new programs of training to obtain the necessary skills to

make it possible, also rewards if they improve their performance. With both of them, skills and knowledge of the rewards, the motivation to improve is guaranteed. Performance management provides tools and motivation for the employees to change, that in the end results in the company changing in the decided direction.

However, the performance management systems not only result in advantages for the companies. Performance management can have negative consequences too, usually because the system does not work as intended caused by a low-quality or badly implementation of it. Here is a list of one of the most common, (Dr. Herman Aguinis, 2005):

1. **Employees may quit do to results:** if the employees do not have the sensation of fairness in the performance management system, the employee can become upset and leave the company. This action of leaving can be both physically or just withdraw psychologically like minimizing their effort until they find a new job elsewhere.
2. **False and misleading information may be used:** if the performance management system is not in place, a lot of opportunities appear for fabricating information for the employees about their performance.
3. **Self-esteem may be lowered:** if the feedback provided by the supervisors and managers is provided in an inappropriate, unfair or inaccurate way, this results in a sentiment of resentment from the employee towards the manager or supervisor.
4. **Time and money wasted:** performance management systems are not an easy and cheap tool for the companies, at the contrary, it is a cost tool both in time and resources. So, if the system is poorly designed or implemented the resources are wasted.
5. **Relationships are damaged:** as has been explained before, resentment can appear in the employees if the system is deficient. This can cause that the relationships between different employees involved get damaged, and often in a permanently way.
6. **Motivation to perform may be decreased:** there are many reasons that turn employees into a lower motivation state, one of them can be the feeling that the superiors or managers do not translate the good performance of an employee towards both tangible (pay increase, bonuses) and intangible (personal recognition) rewards.
7. **Employees may suffer from job burnout and job dissatisfaction:** if the performance management appraisal is not seen as valid and the system is seen as unfair by the employees,

this results in an increase of job burnout and job dissatisfaction. With these causes is typical that the employees become irritated towards the supervisors and managers.

8. **There is increased risk of litigation:** bad performance of the system can open a door for the employees for placing expensive lawsuits against the company, claiming that they have been treated and appraised unfairly by their superiors.
9. **Unjustified demands are made upon manager's resources:** the benefits from a good performance management system are highly superior from a one that is badly-implemented, even that the poorly implemented still take a lot of the manager's time. Systems will be resisted because of the obligations that came with them and the amount of resources needed, or even worse, the supervisors can decide just not applying the system.
10. **Standards and ratings may vary and be unfair:** it is important that even the variation of the standards and individual ratings between the different units, they have to be fair in order to avoid resentment in the employees.
11. **Biases can replace standards:** personal preferences, values and relationships are likely to replace the company goals and standards.
12. **Mystery surrounds how ratings were derived:** poorly communication can result in the ignorance from the employees about how their ratings are generated or how those ratings became rewards for them.

The next table, Table 2.1 summarizes the list of advantages and disadvantages:

Table 2.1: Advantages and disadvantages that can appear after applying performance management in a company based on the book written by Dr. Herman Aguinis, developed by the author

Advantages	Disadvantages
<ul style="list-style-type: none"> ✓ Motivation to perform increased ✓ Self-esteem is increased ✓ Managers gain insight ✓ Job definition and criteria are clarified ✓ Self-insight and development are enhanced ✓ Personnel actions are more fair and appropriate ✓ Organisational goals are made clear ✓ More competent employees ✓ Better protection from lawsuits ✓ Better and more timely differentiation between good and poor performers. ✓ Supervisors' views are communicated more clearly. ✓ Organisational change is facilitated 	<ul style="list-style-type: none"> ✗ Employees may quit do to results ✗ Use of false and misleading information ✗ Self-esteem may be lowered ✗ Time and money wasted ✗ Relationships are damaged ✗ Motivation to perform may be decreased ✗ Job burnout and job dissatisfaction ✗ Risk of litigation increased ✗ Unjustified demands are made upon managers' resources ✗ Standards and ratings vary and are unfair. ✗ Biases can replace standards ✗ Mystery surround how ratings were Derived

2.4. Performance management rewards

It has been said several times that performance management is an ongoing process, to improve the personnel performance and achieve the organization goals. This process includes a reward system towards the employees. Lawler (1990), suggests that it is needed a clear “*line of sight*” between achievement and rewards. This statement derives to the next theory, motivation in a company, usually, only appears when people expect that they will get a reward for their effort and contribution made. However, Hendry et al (2000), identify some problems with this requirement, maybe the biggest one is the capacity of an individual to control over achieving his goals while is working in a rapidly changing company in which personal's efforts are usually interdependent.

Employees expect compensation if they think that they are accomplishing the goals set for the measure of their performance. This employee's compensation, sometimes referred as tangible returns, includes cash compensation and benefits like for example:

- | | |
|---------------------------------|--------------------------|
| 1) Base pay | 5) Income protection |
| 2) Cost of living and merit pay | 6) Work/life focus |
| 3) Short-term incentives | 7) Tuition reimbursement |
| 4) Long term incentives | 8) Allowances |

However, the personnel should also receive intangible returns, this kind of compensation is usually referred as relational returns. Relational returns include:

- 1) Recognition and status
- 2) Employment security
- 3) Challenging works
- 4) Learning opportunities

A good reward system has a set of mechanisms for distributing tangible and relational returns, towards the employee after a good performance, as part of an employment relationship. It is very important not only focus in the extrinsic reward, tangible return, because there is a danger that the relational is diminished. However, in some countries and cultures this is not applicable, for example, in China development through intrinsic rewards may be less successful because managers are not predisposed to establish a two-way communication with their employees in the appraisal process or even to provide counselling to them, that is because in China there is a high-power distance between managers and the personnel (Huo and von Glinow, 1995).

Another example could be Russia. In Russia, a collectivist approach means that direct feedback is perceived as being much less acceptable than in other cultures (Fletcher, 2001). On the other hand, in the individual countries such as United States, Canada and Australia the rewards related with money are common, in China this kind of reward is increasing.

But in the countries where there is a high value on harmony, teamwork and focus on behaviours or attitudes towards superiors (McEvoy and Cascio, 1990), the link between performance and pay rewards is less common. That is why the achievement of one of the most important facts of performance management, the development of the personnel, may depend of the cultural context of the organization.

However, it is important to know that not all the return types are directly related to performance management systems. That is because not all types of return are made based on the personnel performance. For example, some of the rewards are based on seniority, this kind of allocation is opposed to performance.

These are some of the typical types of reward:

- **Base pay:** the employees receive a base pay in exchange for the performance made in their work. The base pay is focused on the position and the duties performed by the employee, rather than on an individual's contribution. Therefore, the base pay is normally the same for all the personnel which perform the similar duties, and ignores the differences between the employees. However, some differences can appear based on some variables, like differential performance or experience. Some countries, like United States, difference between wage and salary. The salary is the base cash compensation which an employee receives. This kind of employees are exempt from regulations of the Fair Labour Standards Act, and in some cases, cannot receive overtime pay. Most employees in most managerial and professional jobs are exempt employees, they can also be called salaried employees. On the other hand, the employees that are not exempt receive their pay based on an hourly wage.
- **Cost-of-living adjustments:** cost-of-living adjustments imply the increase of the same percentage for all the personnel regardless of their individual performance. Cost-of-living adjustments are given as a measure to combat the effects of the inflation. It is an attempt to maintain the employee's buying power. In the United States, the organizations that implemented cost-of-living adjustments used a 2.1 percent pay raise in 2003. The same percentage applied in 2001 was only 2.1. Every year cost-of-living adjustments can be obtained from several agencies, in the case of United States one could be the Social Security Administration.
- **Contingent pay:** contingent pay is given to the employees as an addition to the base pay based on past performance. Contingent pay based in the concept that the amount of additional reward

is directly linked to the level of the performance of the employee. On example, could be that the top 20 per cent of the personnel in the performance final score distribution would receive a 10 per cent annual increase, on the other hand, the personnel in the middle, 70 per cent of the final score, may get a 4 per cent increase, and the rest of the personnel could not even receive any kind of increase. However, these increases should be reviewed after a certain period, and modified if the score of the employee has sustainably change, to keep the fairness of the process.

- **Short-term Incentives:** the short-time incentives are similar to the contingent pay; the incentives are also allocated on the past performance of the employee. However, the incentives are not added to the base pay, instead are only temporary pay adjustments based on the review of the performance, can be annual or quarterly. Incentives are one-time payments, a bonus, that is why they are also referred as variable pay. A second difference between contingent pay and incentives is that the incentives are known from the beginning of the process. For example, a sales person knows in advance that, if he meets her sales quota, he will receive a bonus at the end of the revision period. Sometimes, the bonus increase according the performance. Taking the last example, the bonus could increase if the salesperson exceeds her quota by 10 percent. In contrast, in the case of contingent pay, in most the cases, the amount of the final rewards is not known in advance.
- **Long-term incentives:** whereas the short-term incentives are usually related to an attempt to motivate the performance of the employee in a short period of time, quarter or a year, and involve cash bonuses or specific prizes like days off, the long-term incentives try to influence future performance of the personnel over a longer period of time than the short-time incentives. Normally, these incentives involve stock ownership or options to buy stocks at established, at the beginning of the process, and profitable price. The purpose of the long-term is incentive the employees to be personally invested in the company's success, and at the end, that this investment in the organization will be translate into sustained high level of performance.

Both long-term and short-term incentives are normally used in many organizations. Returning to the United States, a survey take it in late 1998 to 25 states and 400 local governments employing more than 6 people showed that not only one state government use this kind of measures, it was up to the 85 per cent of the local governments.

- **Income protection:** income protection programs serve as back-up to employee's salaries in case that an employee calls in sick, disabled or no longer able to work. Several countries mandate income protection programs by law. For example, in Canada the companies pay into a fund that provides income protection for the employees that suffer a disability. The University of Alberta, offers a monthly income of the 70 per cent of the salary to all the employees who had become disabled or not capable to perform the job anymore. Going to another country, the United States, employers make about the 50 per cent of an employee's contribution to the social security, that is because that income is protected in case of a disability that the employee could suffer, but only if the disability keeps him away from doing substantial work once a year, also when an employee reaches the age to retire or in case of the employee's death before retirement. But, there also other types of benefits related to income protection such as medical insurance, pension plans and saving plans. All of them are optional benefits that a company can provide, however, they are currently becoming very important, usually guide the decision to take a job offer by the applicant. In fact, a survey (Esen, E. job benefits survey, Alexandria 2003) reflected this fact. According the survey, medical insurance and health care is the most important benefit, and followed by paid time off and retirement benefits for the applicants.
- **Work/life focus:** the benefits related to work/life focus have several programs that try to help employees to achieve a balance between work and different activities outside the work and not related to it. These include the time away from work like vacation time, services to fulfil specific needs such as counselling or financial planning, and flexible work schedules to help the employee. Taking the company Sun Microsystems as an example, they promote an equal balance between home life and work, to achieve that they close its campus in Colorado, Broomfield, from late December until early January every year. This benefit, extra vacation time to all the personnel in addition to their yearly vacation time, is part of Sun's culture.
- **Allowances:** in some companies and countries the benefits include allowances covering transportation and housing. This kind of benefits are typical for expatriate employees, and are also becoming usual for high level managers in many countries. If one goes to South Africa, will see that is common for a transportation allowance to include one of the next choices:

 - The employer provides a car and the right to use it for business and also privately.

- The employer provides a car allowance, in fact is more like a travel allowance, which consists of the reimbursement of the use of the employee's own car in matters of business.
- **Relational returns:** relational returns are intangible in nature. The relational returns include employment security, recognition and status, opportunities to learn, challenging work, and opportunities to form personal relationships at work, these relationships can include friendships and romances (Pierce, C. A. Aguinis, H., Adamos, S. K. R., Effects of a dissolved workplace romance and rather characteristics on responses to a sexual harassment accusation, 2000). Going back to the company Sun Microsystems, Sun allows the personnel to enrol in SunU. SunU is Sun's own on-line education tool. It englobes a mix of traditional classroom courses with on-line classes that can be take anywhere and at any time. Sun provides to his personnel an enormous scope for development and career progression, and Sun has the commitment that each employee must receive the opportunity to develop professionally. Furthermore, all the knowledge and skills learned by the personnel can help them not only in their careers in Sun, but also to take all of this knowledge in order to seek employment elsewhere. These types of relational return can be long lasting.

2.5. Performance management and teams

Everything that has been said previously about performance management, has been focused on one's individual performance. However, an increasing thought is appearing in the different researches: the need to recognize the team performance and consider it. In the past 20 years, the teamworking has increased substantially, it is argued to provide competitive advantage, teamwork also enables cost reduction and improve the quality of the outcomes. Teamwork facilitates the completion and the performance of complex organizational tasks beyond the means of any individual, and empowers the decision-making of the personnel because the decentralization of it (Torrington et al, 2005). Despite of all this, usually *"there is a contradiction between a managerial discourse that emphasizes the team and collective performance and the use of appraisal and rewards tools that are above all individual"* (Emery. 2004). When one introduce teamworking some complexities can appear, a lot of managers seek to emulate what they perceive in other cultures like the Japanese, they perceive that teamwork is a source of advantage. Yet, teamworking may not be compatible in all the countries and different cultures, (El-Kot and Leat, 2005),

especially in those countries where the levels of individualism are very high such as the United States or Australia.

There is not a lot of empirical data on managing team performance, however, Brumback (2003) made a detailed analysis of how, in the United States, attempts are being performed to union between individual and team performance. He says that “*performance not only of teams as a whole but of their individual members must be managed if a high standard of performance is to be achieved*”. After his research, he made the following suggestions:

- Individuals should have standards communicated to them in terms of written objectives and competencies thus maintain accountability for their own performance.
- Teams (via representatives) should influence the firm’s annual goals and the team goals thus agreed must inform of the individual goals.
- Further, the team becomes accountable for monitoring its own and individual member’s performance, providing any mentoring and coaching that may be required.
- Performance review should incorporate the evaluation of both team and individual performance. Each team member should appraise his/her own performance and in so doing can appraise other’s.
- The team reviews all individual appraisals and deals with any contentious issues and decides how to deal with, for example, any training needs identified.
- The team then appraises its own performance, with the assistance of at least one independent outsider to reinforce objectivity.

Brumback also argues that all the process mentioned before must face the challenge of blending individualism with teamwork.

Another researcher, Emery’s (2004), made a study of the teams in Swiss civil service and it showed that the team aspect of performance and the rewards linked to it is rarely considered. Emery states that on the other hand, the use of individual goals is globally widespread, but this goals make a limited contribution to the performance and development of the team and that the process of individual appraisal and the reward system generate competition and undermine the spirit of cooperation. Emery also agrees with Brumback and calls for further developments in the

field of team performance management, for him the essential aspects in team performance management are:

- A clear definition of team mission.
- The negotiation of team goals and their understanding by all team members.
- An assessment of team performance, combining self-assessment by the team members and assessment by a competent authority.

The studies that have been mentioned before in the field of teamworking and its relation with performance management were taken in western and individualistic environment. El-Kot and Leat's (2005) performed a study in Egypt. There, the employees are likely to accept an unequal distribution of power and usually they expect to be directed by their supervisors. The employees in Egypt respect the authority of their supervisors and often they are afraid to disagree with them, they do not value or expect individual autonomy or to be consulted about something. The process of decision making is centralized and the management system is likely to be autocratic. Teamwork is argued to be congruent with a collectivist culture, the Egyptian culture is based upon cooperative rather than competitive relationships, however the above analysis seems to point in the opposite direction. The study performed by El-Kot and Leat's (2005), reflected an increase of the use of teams from the 1980s like it has been seen in the United States and the United Kingdom, more specifically the most used team has been the work team. The research also demonstrates that there are high levels of team autonomy, however, the teams cannot be sort as self-managing. As could be expected in a collectivist culture, the typical reward is a team-based reward. That does not mean that there are not competition elements. The study suggests that there are some key elements for successful teams, which are: suitable organisation culture, clear team goals and vision, team member satisfaction, and team responsibility in making decisions.

While the cultural analysis given before may seem problematic for performance management in an individual way, little individual responsibility and an autocratic management style, it seems more promising in terms of performance management orientated in teams. Perhaps, many of the challenges faced by managers trying to apply a performance management systems based in teams in individual cultures will not be relevant to the managers that operate in a collectivist culture environment.

2.6. Building a performance management model

For applying a good performance management system in your company, first of all, you need to know all your company processes. The model of this thesis has been developed based on the research paper named *Intra-utility performance management model for the sustainability of small to medium sized water utilities* (Husnain Haider, Rehan Sadiq, Solomon Tesfamariam, 2016), and the theory explained before this section. The research presents a model for water utilities, and one of the important parts is the establishment of the performance assessment criteria, the research analyses all the functional components trying them to meet their performance objectives. In order to do that, they proposed a top-down approach. They listed all the sustainability assessment criteria in a table, which included performance objectives, performance management and performance indicators for the components, data and decision variables of them. With this table, go to the Appendix 1 to see the table, it is possible to decide which measures are needed in the company. In the Appendix 1, it is possible to see a portion of the table used in the research paper.

The next figure, Figure 2.7, represents the model developed in the paper, this model has been used as main core for the theoretical model developed in the thesis jointly with all the theory explained in the previous sections.

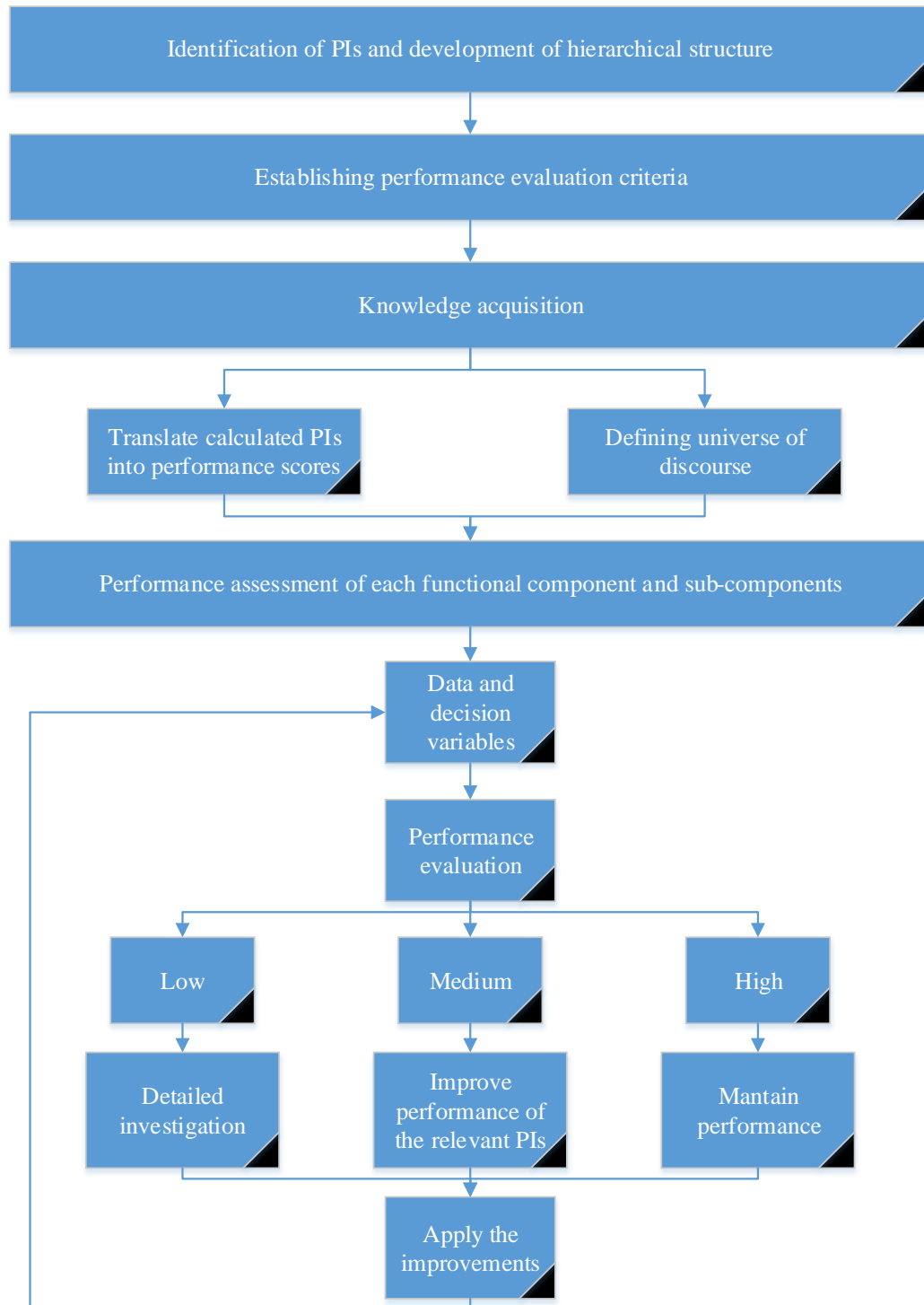


Figure 2.7: Simplified block diagram which indicates the process of the performance management model for water utilities, developed by the author

3. SCIENTIFIC PRACTICAL PART

3.1. JSC JAUDA general analysis

The company where the performance management system designed is going to be tested is JSC JAUDA. JAUDA was established in 1961. Currently, JAUDA is one of the largest producers of electrical equipment in the Baltic States. JAUDA has always produced products for energetic and electrification including compact substations, low and medium voltage equipment, metal constructions and metal ware. The core of the business has remained unchanged since the company's inception.

In the middle of the 1990s, coinciding with a successful development of the organisation, a wholesale trade network was created with its main office in Riga. The management approach of the company, and continuous competitiveness, are based on meeting the customer demands both on the Latvian and foreign market. JSC JAUDA produces a lot of manufacture products, and all of them are marked with the CE sign according to the Republic of Latvia laws and regulations requirements and European Union standards. Since 2000 the quality management system has been introduced in the company, following and in accordance with the ISO 9001 standard and since 2007 it changed to the ISO 14001 standard. The following picture, Figure 3.1, shows the current partners of JAUDA:

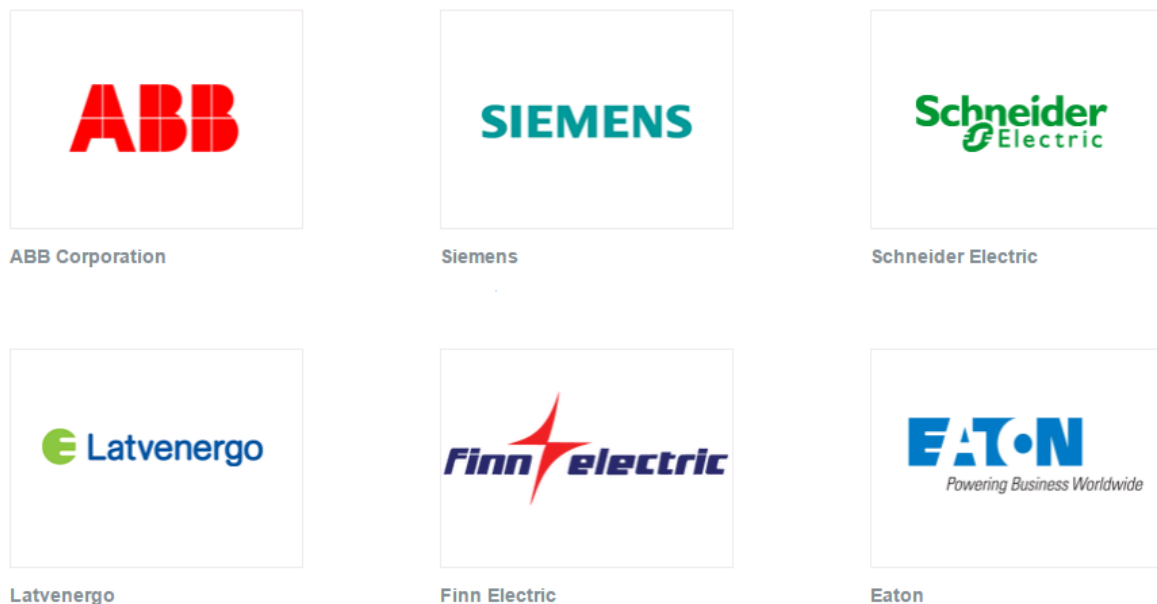


Figure 3.1: Main partners of JSC JAUDA company (Source: Official JAUDA website)

For getting a better understanding of the organisation, it has been included some economic information and analysis based in the official report provided from the company itself of 2014. But before including the graphics and tables it is necessary to know what happened that year in the company.

In 2014 the products became more complex; this fact required a greater contribution by the technical and the engineering staff towards the development of the products and the manufacturing process. The company was coming from a situation in which the structure of products sold was changed, in 2013, but in 2014 the company did not experience such variations. This allowed the company to adapt fast to the new Latvian market conditions. The company also signed an important contract for the next two years with Sadales tīkli AS in September 2014 regarding the supply of compact transformer, also signed a contract that was ending that same year regarding the supply of the new type of switchgear over the next two years.

Those kind of contracts, with a long duration, oblige the company to take a proactive attitude regarding the improvement of production and logistics procedures. There is expected that the company will suffer an inflation in connection with both costs of labour and prices of materials during the two years, that is why the company cannot just relax after sign this type of contract.

Let's not forget that 2014 was the year for the introduction of the euro in Latvia, and that a period of adaption was necessary for all the companies.

In the report are shown the evolution of different indicators of the company, Table 3.1.

Table 14: Turnover of the different JSC JAUDA products in euros and in percentages (Source: Report of JSC JAUDA year 2014)

JSC JAUDA products	2014 (€)	2013 (€)	2014 (%)	2013 (%)
Uninsulated aluminium wires	352.932	661.205	1,5	2,9
Overhead line equipment	1.278.650	1.163.601	5,4	5,1
Current transformers	117.298	133.993	0,5	0,6
Outdoor disconnectors	1.720.8686	1.515.188	7,2	6,7
Electrical distribution boxes	4.384.273	3.677.526	18,4	16,2
Low voltage distribution panels and individual control panels	617.708	828.272	2,6	3,7
Compact transformer substations	5.007.940	4.670.187	21	20,6
Steel structures	1.135.715	1.288.023	4,8	5,7
Other products and services	860.020	646.106	3,6	2,8
Sale of purchased products	8.362.525	8.091.060	35,1	35,7
Total turnover	23.837.947	22.675.160		

The previous table, Table 3.1, allows to see the weight of the different products compared with the total turnover of the company. The products that have more influence are the electrical boxes, the compact transformers and the sale of purchased products. Just those products sum the 74,5 percentage of the turnover in 2014. These products are the core of the business, the main activities that the company should put more effort to optimize. Also, the Table 3.1 shows the progression of the turnover for each product between 2013 and 2014. In all the most important products the turnover increases, that it is a good sign because like it has been described before, the 2014 the introduction of the euro was implemented in Riga and the company designed more complex products.

After the turnover, the evolution of the taxes in JSC JAUDA is presented in the next table and figure, Table 3.2 and Figure 3.2:

Table 15: Taxes paid by JSC JAUDA in euros per year (Source: Report of JSC JAUDA year 2014)

Tax	2010	2011	2012	2013	2014
Vat	1.700.283	2.248.406	2.574.557	1.544.140	1.941.126
Income Tax	556.118	432.875	669.259	657.668	634.953
Social tax	639.634	736.303	909.559	970.023	889.406
Company income Tax	272.473	267.989	536.936	205.120	352.266
Other taxes	24.964	267.989	536.936	205.120	352.266
Total	3.193.472	3.709.044	4.724.000	3.410.914	3.852.526

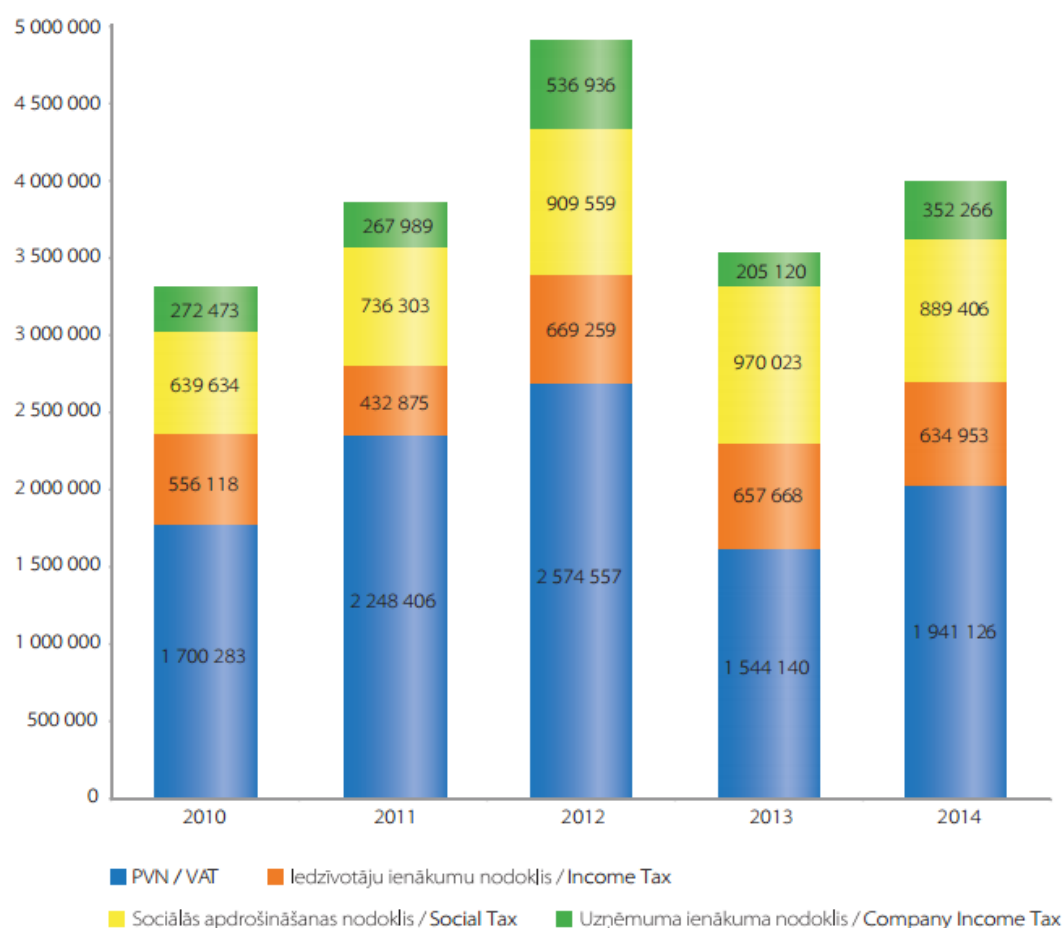


Figure 22: Taxes paid by JSC JAUDA in euros per year, each tax referred by one colour (Source: Report of JSC JAUDA year 2014)

As it can be seen in both Table 3.2 and Figure 3.2, the taxes increased rapidly until 2013, that year they returned to the levels between 2011 and 2012. This change in the tendency could be

justified in the change of the structure of the products and the adjustments related to them. Also, the previous figure, Figure 3.2, permits to see which tax has the biggest value every year, the VAT tax is the one that causes the variation during the period studied. The income tax is quite regular the last three years. The company income tax has a strong variation but mainly in 2013 where it increased more than 100 percent compared to 2012 but just the next year, 2014, it also reduced more than 100 percent. This strong variation is due to the variations established in 2013 for the products of the company. The last tax, the social tax is related to the personnel.

Average revenue and paid taxes per employee can be seen in Table 3.3:

Table 3.3: Revenue and taxes paid per employee and year by JSC JAUDA in euros and number of employees per year (Source: Report of JSC JAUDA year 2014)

	2010	2011	2012	2013	2014
Average revenue per employee	97.058	121.439	119.106	97.318	101.438
Paid taxes per employee	11.269	13.990	14.501	14.639	16.394
Number of employees	193	205	229	233	235

The purpose of the previous table, Table 3.3, is to understand the trajectory of the company. The company in the period studied has benefits, the revenue per employee is always positive. However, once again the year 2013 presents itself as a strange one. After the first three years where the average revenue increases or stays almost constant in 2013 suffers a severe decrease. The change in the products could be the reason of this sudden change. In the taxes paid per employee the increase occurs during all the period such as the number of the employees.

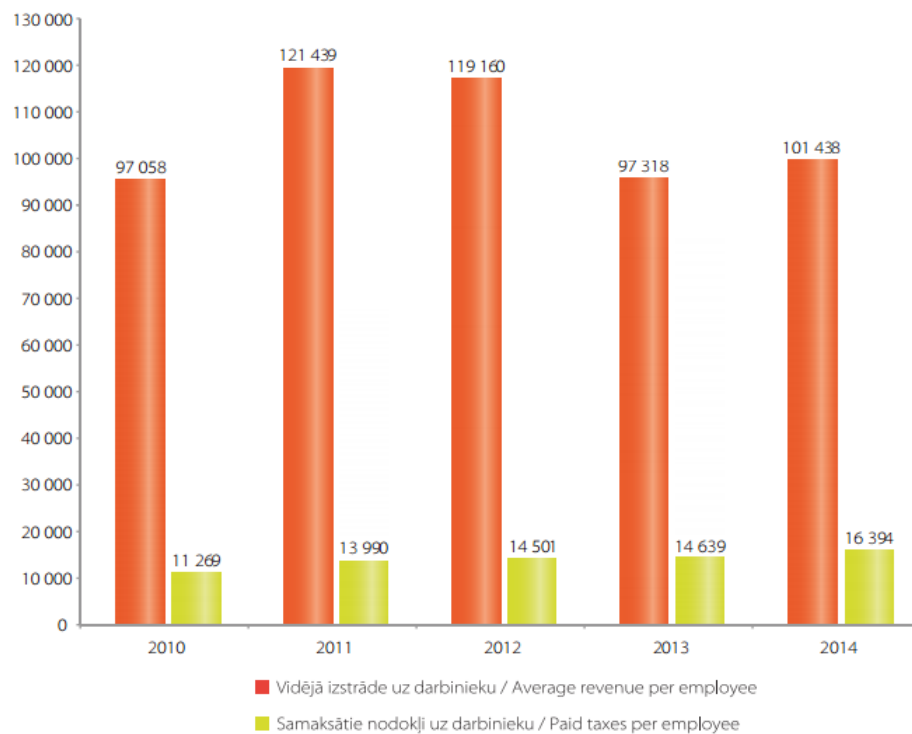


Figure 23: Revenue and taxes paid per employee and year by JSC JAUDA in euros (Source: Report of JSC JAUDA year 2014)

Figure 3.3 allows to get a better understanding of the relation between the taxes and revenue per employee. Even that there is a big gap between the revenues and the paid taxes, the gap decrease after 2012. That is produced for the reduction of the revenues per employee and the increase of the paid taxes. In 2013 the taxes represent the 15 percent of the revenues which is an increase of 3 percent compared with 2012, in 2012 was a 12 percent. Furthermore, the increase continuous in 2014 where the percentage gets to the 16 percent. Even that 16 is not an important value, JAUDA should be careful of this situation. The percentage comparing the paid taxes with the revenue both per employee, should not grow every year. It is important to keep it at the minimum as possible, and if it is not possible to make it decrease at least try to maintain it but in any case, let it grow every year.

Table 3.4: Balance in percentages of JSC JAUDA per year (Source: Report of JSC JAUDA year 2014)

	2014	2013	2012	2011	2010
Operating margin	7,8	6,9	11,7	6,4	7,1
Return on sales	6,3	5,7	9,7	4,4	4,0
Return on equity	12,0	10,7	21,8	10,0	6,6
Return on total assets	9,7	8,5	18,7	7,9	5,4
Earnings per share (Euros)	34,3	29,7	60,5	25,2	17,4
Total Assets Turnover	1,6	1,5	1,9	1,8	1,4
Number of employees	235	233	229	205	193

Finally, the balance of the last four years has been included to give a general view of the company, Table 3.4. As it can be clearly seen in the Table 3.4, 2012 was a good year for JSC JAUDA, In 2012, all the indicators at their maximum of the period, apart from the number of the employees. However, even that after 2012 the indicators decrease, they are still bigger than the ones in the first two years. Even more, in the last two years the increase occurs again. All the indicators, suffer from an increase, this indicates that JSC JAUDA is growing even the different complicated situations that it has suffered in the last years, the introduction of the euro in 2014 and the changes applied in the products of the company.

This is a perfect scenario for the implementation of a performance management model, the company has benefits whit permit the investment in this kind of procedure. Also, when the company is growing, like it has been mentioned before, it is when performance management has to be very well implemented to optimize the performance of the employees and avoid situation where the personnel refuses to do some determined tasks or take new responsibilities without an economic compensation.

3.2. Performance management in JAUDA

Currently, JSC JAUDA does not have a performance management model. The first intention of the thesis was to compare the theoretical model with a real one in a company. But, the policies or measures in performance management in JAUDA are conservative and not adapted to the current methods in use in performance management. After seeing this, the purpose of thesis changed into make recommendations to JAUDA to get them in the path of having a functional and useful performance management model.

In order to get a better understanding of the current situation in JAUDA, the next figure has been included, Figure 3.4. The Figure 3.4 is the structure of the different departments in JAUDA, the description is in Latvian because all the internal documents from JAUDA are not translate to English.

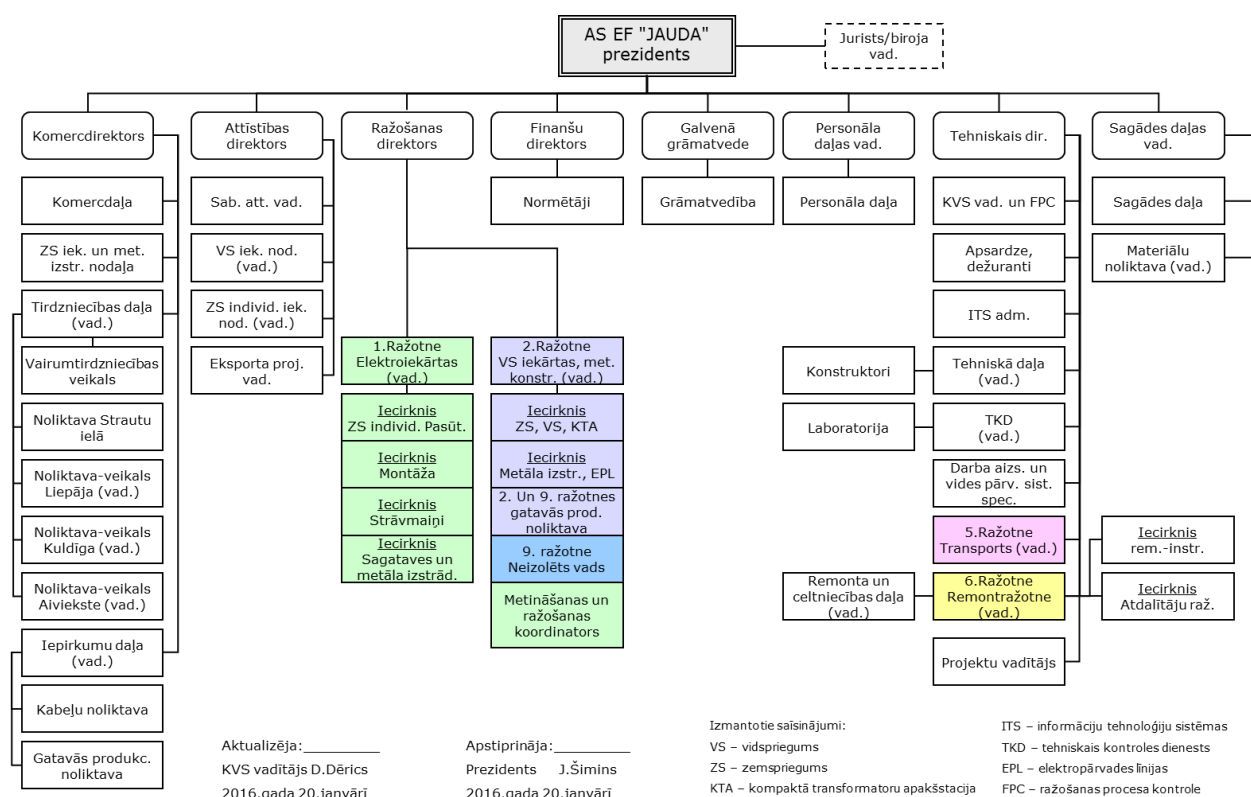


Figure 3.4: Structure of JSC JAUDA (Source: Internal document from JAUDA)

Each of the columns represent one of the departments in JAUDA. Each one of the departments possesses a manager, and depending on the department they have some team leaders

or just administrative staff. The main departments are commercial, production and technological. The technological is the one in charge on the research of new procedures, improvements on the products, etc.

In the production department is where are the majority of the team leaders. The team leaders are placed directly in the factories in the section where they are in charge. They work with the other workers, on the same place. The colours in the Figure 3.4 represent the different units in production that JAUDA has. In Riga, in the factory, there are currently 65 workers between the two main stations.

Getting into more detail of the processes that JSC JAUDA apply in production. Production, is the department where the firsts measures and recommendations for the implementation of the performance management system are going to be made. The first aspect analysed is the quality test of the final products. For the quality of the products JAUDA has two main procedures depending on the complexity and the amount of the same product that have been produced.

If the production for a specific product is just one unit, usually that happens with products very complex or products with a lot of specifications made for one client, JAUDA runs a full quality test in the product. After the unit passes all the tests then it is mark as correctly produced and shipped to the client.

The other case is when the production is bigger. It is clear that it is not possible to run full quality tests in all the products manufactured in a company. JAUDA runs a full quality test in the first unit produced, and after once they have manufactured around 100 units more, the workers in charge of the quality select one or two products randomly and then run the quality tests on them. If all the results are correct and pass the quality standards, then the production batch is considered as a good one and is moved to the transportation department or to the warehouse. In the other case, when the tests are not passed then the first action is to discover which is the cause of the failure. It is vital to find in the production chain the reason of the failure to avoid to keep producing more products with the same errors. If the cause is not because of the production process, then the production can continue. The rest of the units in the same production batch have to be tested to assure the quality of the product.

The main problem is when the flaw's origin is in the production chain. Then all the units produced have to be tested, not just the ones from the same batch. If the number of units is too high, then JAUDA subcontract another company to perform the full test on all the damage units. While this revision is made JAUDA focusses on fixing the causes that has produced the error in the products. Apart from all of this, once an error is found the team leader has to fill in a special form describing the issue and the product that suffers it. After the form is complete is introduced in the system, this way the manager in charge can know at any time the incidences that are happening and take care of them.

Besides, the factory is divided in stations, each station has a specific task to produce one part or component of a product. Before the unit passes to the next station, a small quality test. All the stations have a quality control to try to minimize the bad outcomes in terms of final quality of the products.

The company has some general goals that are for each department. Concerning the production units, the goal that they have to achieve is the production plan. JAUDA does not possess specific goals for the units, team leader or workers. Similar cases appear in the other departments. The goals are for the company, or the department in general. There are not specific goals for each unit or worker. For example, the goals in terms of quality, in Latvian have been included in the thesis as an example of the current policies for goals in JSC JAUDA, the document can be found in the Appendix 2.

The goals are from 2012 but it is possible to see in the document, the goals are described in a general way not specifying who is the one that has to achieve them. They are more like the company goals, the vision of the company transmitted to each department, in the case of the previous document to the quality department.

Moving to the reward system, JAUDA does not have a reward system for all the employees. Currently, the workers are under completely variable salary conditions. They get paid depending the production they achieve. The company gives them the time that they will need to do the tasks and the amount they are going to receive if they follow the production plan. If the employees go slower than the time specified, then their salary is lower, if they go faster then, it is higher. They have to follow the production plan as much as possible, JAUDA tries to give times accurate to avoid both faster and slower production from the employees. Most of the workers are in long term

contracts but these contracts are linked to the production that JAUDA needs, if the production is not enough for all of them, the employees do not go to work but they not get paid that day neither. In order to avoid that, JAUDA's plan of production tries to distribute the production during the year and save vacations for when the production is lower. The financial department is the one in charge of calculating the timings for each task and give the result to the workers, then the employees know how fast they have to work.

JAUDA policies towards variable salaries are determined by the fact that sometimes they do not have complete working days, this condition obliges JAUDA to pay in a variable salary way. The tasks and times change usually each month, so at the beginning of the month the employees receive the production plan for them and the timings for the specific tasks that they have to perform. Also, the employees do not register directly what they have done each day or month.

To know which is the price that they have to pay for each task, the financial department uses the materials and the labour time that is needed to produce one unit. Using the price per hour for the employees they establish the time for each task, and the total production that the employee has to do. With all the information, they establish the final price. For the product, the final price usually is around the 500% of the worker's salary.

That is all for the employees, in case of the managers, things are quite different. First, managers have one part of the salary that is fix. Most of the salary does not depend of results or specific outcomes. Furthermore, just for managers, some team leaders and engineers there is an insurance plan depending the position that they possess in the company. The insurance is not given in the first instance, after some period established by the company if the employee is performing a good work according the company then he is rewarded with the insurance.

Another reward given in JAUDA are shares. Some key managers receive shares for the good and important work that they have performed. Also, mostly in the commercial department, there are annual bonusses for managers or salesmen. Besides, phone, car, new born bonuses and some other bonuses for special occasions are given to managers, team leaders and engineers. All of these rewards are conceded if the company is going good and the personnel is doing a good job, there is not a specific set of goals for each employee or unit.

In order to get a better understanding of the current situation, and if there are differences between the vision of managers and employees two separate questioners, it is possible to find them on the Appendix 3 and Appendix 4, have been delivered to them. After analysing the results some graphics have been made to explain the conclusions, Figure 3.5, Figure 3.6, Figure 3.7, Figure 3.8, Figure 3.9 and Figure 3.10.

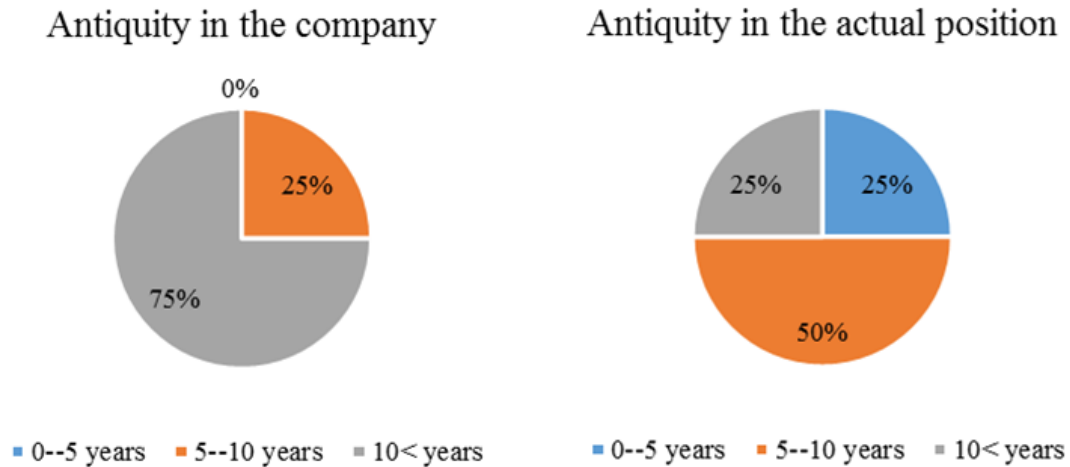


Figure 24: Manager's antiquity in the company and in the actual work position in percentage developed by the author

Before showing the answers of the questioners it is important know how is the majority of the managers in JAUDA. Based on the questioners, all of the managers have been at least 5 years in the company and also most of them, 75 percent, have been in the actual position. So we are facing experienced people on working in JAUDA, this can make difficult to introduce new policies and changing the attitude in company towards the performance management.

The results are divided in 5 numbers, being 5 complete agree for the title of the graphic and 1 completely disagree, the results obtained for the questioners are:

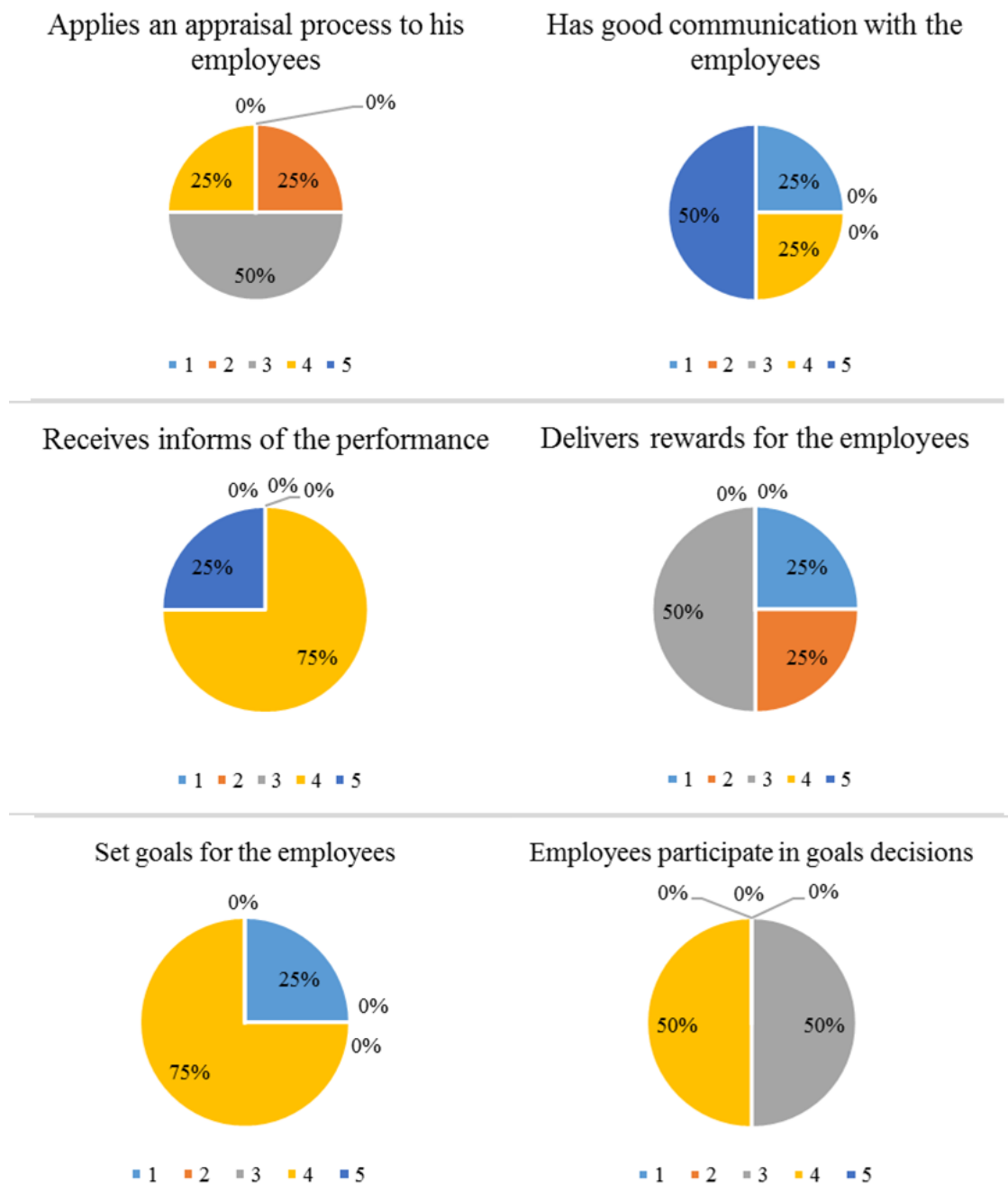


Figure 3.6: Manager's results in percentages of the questioner developed by the author

The results, Figure 3.6, show that most of the managers have the same opinion and do the same practices. In the appraisal process, most of them do not apply any kind of an appraisal process, or at least not in a formal way, 75 percent of them has marked 3 or less. On the contrary, all of them receive some input about the performance of the employees. On the other hand, the

communication seems to be good with the personnel just one 25 percent has problems with it. Even this, managers in JAUDA do not deliver rewards to their employees regarding their performance, no one of them has marked more than 3 to this question. Even that the employees do not receive rewards, the managers put some goals to them and half of the times the employees cannot decide or give their opinion about them.

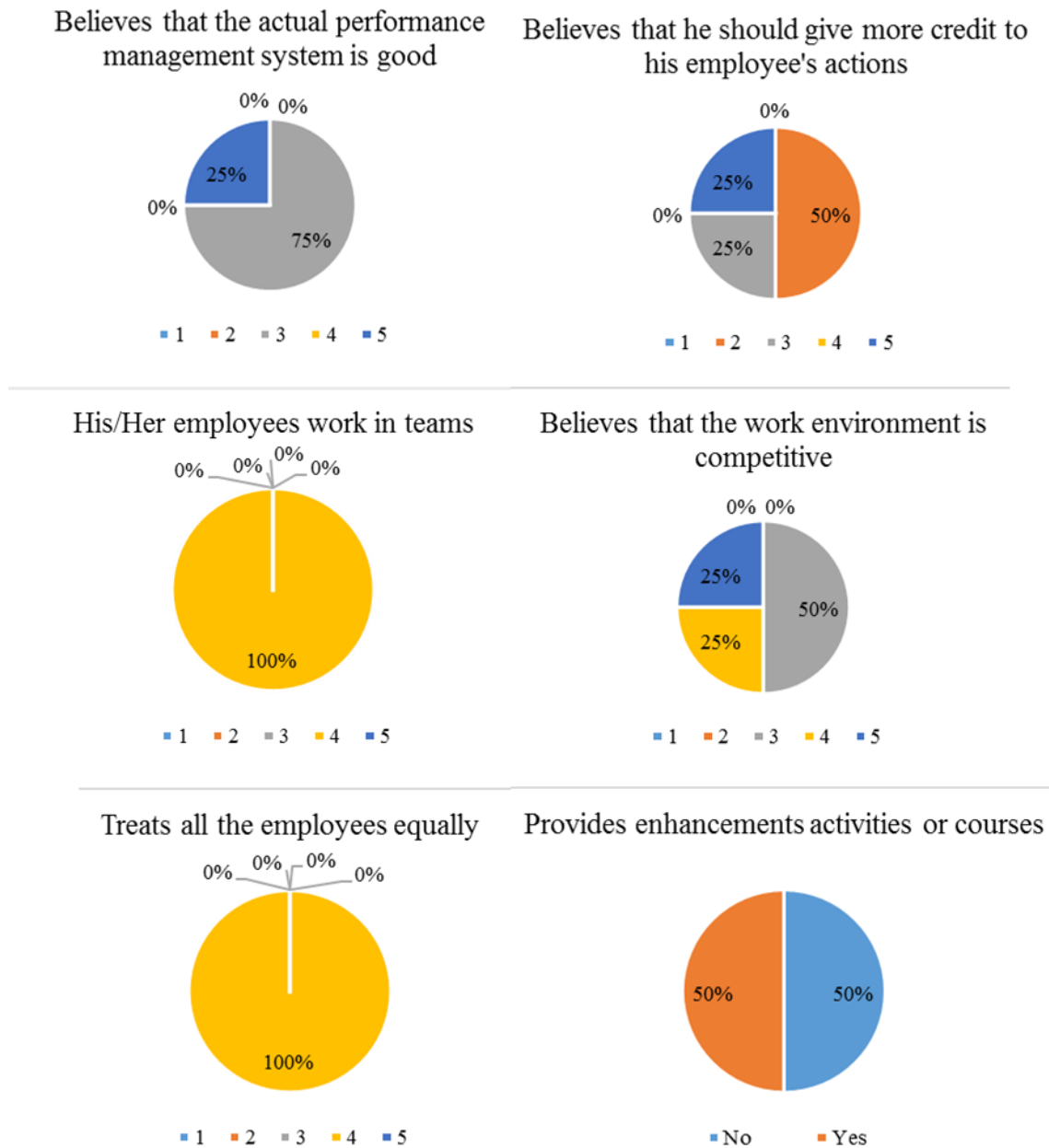


Figure 25: Manager's results in percentages of the questioner developed by the author

In the previous figure, Figure 3.7, it is possible to see that most of the managers, 75 percent are not convinced that the actual performance management model is good and the same percentage thinks that managers should not give more credit to the employee's actions. However, all the managers believe that they treat all their employees equally, and also that their employees usually work in teams. Based on the Figure 3.7, seem that managers are working in a competitive environment, 50% is convinced of this, this is important to know if they are under competitive pressure. Finally, about the enhancement program the managers are divided, just half of them provide courses or activities.

After analysing the manager's results, it is time to compare them with the employee's.

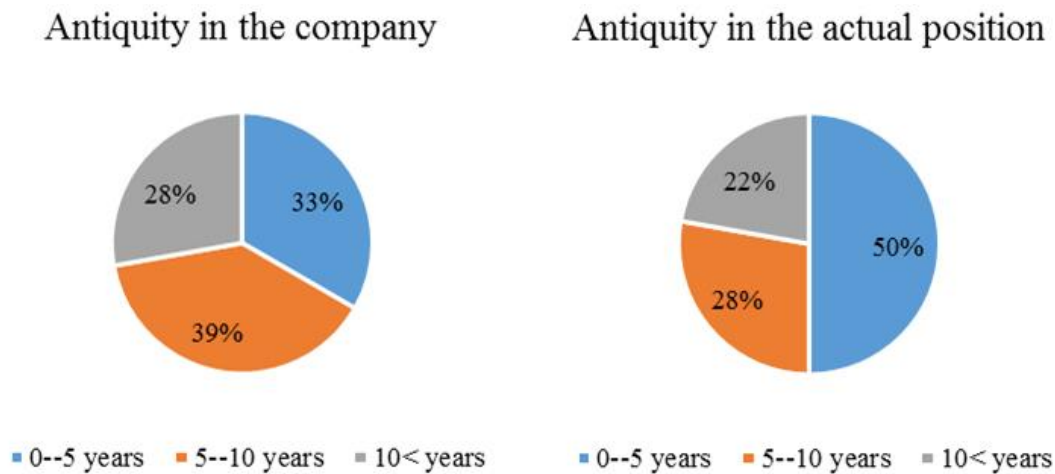
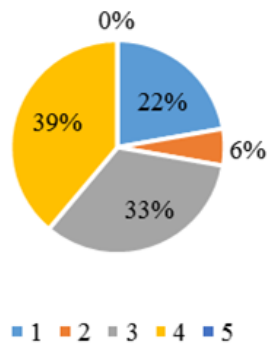


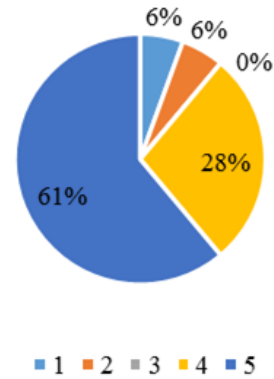
Figure 26: Employee's antiquity in the company and in the actual work position in percentage developed by the author

In terms of antiquity the employees are more distribute it than the managers, Figure 3.8, the 33 percent has been less than five years in the company and the half of them has been less than five years in the current position. The personnel are varied both in antiquity in the company and in the position, this fact is important because this way it is more easy to introduce changes in the company.

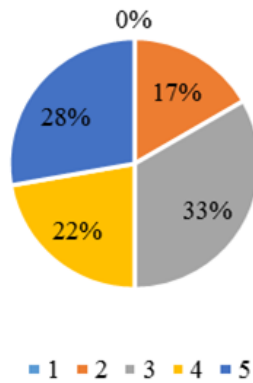
Believes that his/her performance is measured



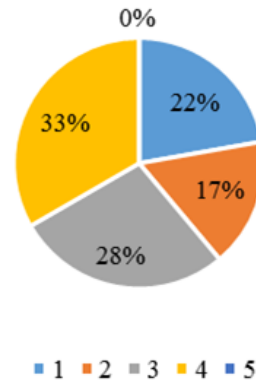
Good communication with the manager



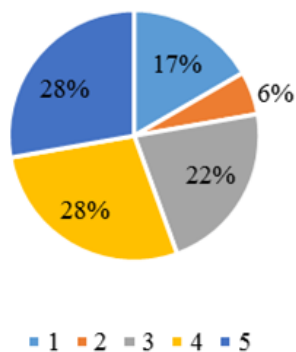
Has to present his/her results



Receives a reward depending on the results



Has to achieve some goals



Participates in the goals decisions

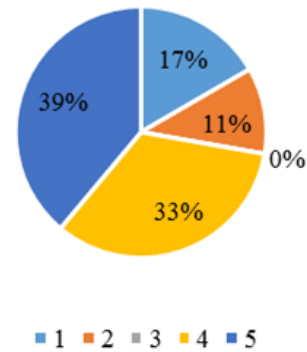


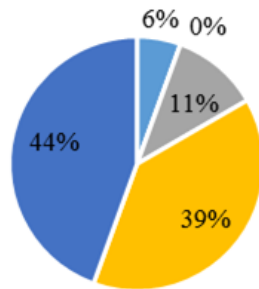
Figure 3.9: Employee's results of the questioner developed by the author

In the first employee's results, Figure 3.9, it is possible to see some differences and similitudes with the ones obtained with the manager's. Most of the employees do not think that

their performance is being measured, just one 40 percent has marked more than three and no one is completely agreeing with that statement, similar to the manager's figure. Also, like the managers, employees feel that they have good communication with their supervisors.

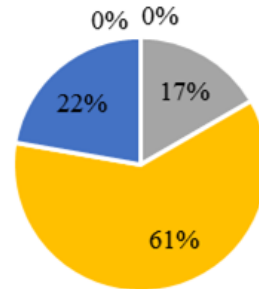
On the other hand, it is not quite clear for them that they have to present their results, this shocks with the result from managers where it seemed clear that they always receive informs about this, Figure 3.6. Also, Figure 3.9, the employees reflect that they do not receive rewards, at least most of them. But the last two graphics in the Figure 3.9 show us a strange fact, most of the employees think that they can decide over the goals that are set, however if one looks into the goals figure, just the 56 percent has marked above three for assure that they have goals related to their performance. This is a strange fact, because if they do not receive clear goals, how it is possible that the majority of them can decide over them, besides managers affirm that is the opposite situation, Figure 3.6. It is possible that employees are misunderstanding the meaning of goals, some information should be given to them in this area.

Believes that he/she is doing a good job



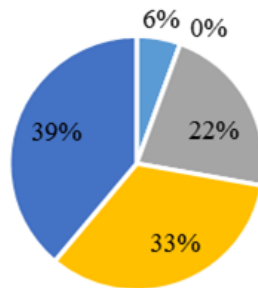
1 2 3 4 5

Wants more credit for his/her actions



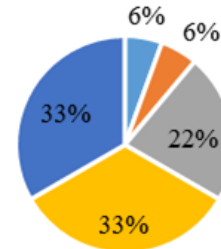
1 2 3 4 5

Works in a team



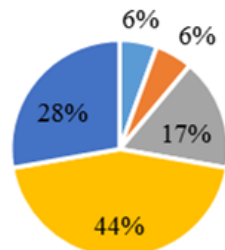
1 2 3 4 5

Believes that the work environment is competitive



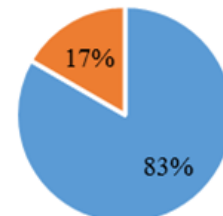
1 2 3 4 5

Perceives that his/her manager treats all equally



1 2 3 4 5

Receives some enhancement course or activitie



No Yes

Figure 27: Employee's results of the questioner developed by the author

Second part of the results, Figure 3.10, show also important information. When the employees are asked about how they feel about their performance and if they want more credit for

their actions the answer is clear, in both cases most of them marked the agreeable options to the questions. They think that they are performing a good job, and also that they should receive more credit for their actions. This position is against with the one that the managers take, Figure 3.7, they do not believe that they should give more credit to the employees. In terms of the environment at work, employees reflect that most of them work in teams, 72 percent, but also that it is in a competitive way, 66 percent, Figure 3.10.

Competitiveness is good for motivate the employees, however, it is important that it does not become too high to avoid bad relations between the personnel. Towards the question about the equality between employees, the response is not 100 percent like the one that the managers have given but it is similar, the personnel have the feeling that most of them are treated equally, 68 percent, Figure 3.10. Finally, regarding the enhancement program the employees are convinced, 83 percent in Figure 3.10, that they do not receive courses or activities, which is very different with the answer given by the managers where one 50 percent believe that they are providing these kinds of activities, Figure 3.7.

From the results, it is possible to see that employees and managers sometimes do not share the same vision of the company and themes related to performance management. Some recommendations are going to be made based on these results and the conclusions obtained commented previously.

3.3. Recommendations about performance management

Before entering specifically in the recommendations for JAUDA it is important to make some recommendations to the development of performance management and also for the performance management in Latvia.

For the development of performance management one aspect that should be more studied is the relationship between teams and performance management. As it can be seen in JAUDA, teamwork is increasing, it is usual that the employees work in teams or that the employee's result is connected with some other's performance. Even this, performance management for teams it is not fully studied. Like it has been said in the specific section of the thesis, it is a new concept that it is beginning to be considered now. More studies should be done with the purpose to analyse different responses on different teams with different techniques of performance management.

The companies want that their employees work in teams, so their performance management policies should also change into a more collective procedure. The appraisal process should be for the teams and units, also the reward system should be like the appraisal process, focussed for the teams. But, this new focus can result in negative relationships between the members of the teams and units if the results are not the expected ones, or one of them is not working enough compared to the other ones. That is why in my opinion, the appraisal process should also include some part to analyse the workers in an individually way and let them communicate how they feel about their colleagues. Also, the meeting should be individual and in group to get all the information and give some place to the workers to talk to each other in a positive and objective way.

Moving to Latvia, the actual policies about salaries where they can be completely variable depending on the production of the company do not help to performance management. The reward as a concept is not just the salary, in fact, it is like something that has nothing to do with it, allowing the companies use it like an incentive to increase the production of the employees is not helping at all to the increase of performance management policies in Latvia. Even more, this fact twists the concept of performance management towards the benefit of the employer.

Performance management tries to reach another complete situation, the intention of performance management is to get a win-win situation where both employee and employer receive benefits. It is ok to have some part of the salary variable as an incentive, but not all of it. My recommendations are to change the salary policy in Latvia to a one where the 50 percent of the salary should be a fix one.

Also, another measure for Latvia to make increase the performance management in companies, could be give some incentives like contracts for some jobs that the government need. Instead to give it to the company that gives a cheaper price or more quality, if it is possible, choose those companies that present good performance management plans in their companies and that possess the qualities and prices that the government can afford. Like this, companies would put more attention to this, their performance will increase, resulting in more benefits and more growth of the economy in the Latvian companies.

Finally, for JAUDA there are some important recommendations that they should follow in order to start a performance management process in a successfully way. The first one is to collect all the performance of the employees. Currently, there is not an official way to do it, some managers

are already doing it but not all of them, also, like it is possible to see in the results from the questioners, Figure 3.9, some employees do not have to deliver any kind of form to present their outcomes.

The appraisal process is an important part of performance management, and JAUDA is not applying it. I would do a form that the employees must fill every day, in that form it should be included the parameters that the company is interested to improve such as, production, time inverted in some task, etc. Besides this form that it would be more focused in production, I recommend that the employees fill another one every three months, or a different time depending when are the appraisals in the company. This other form, would be more focussed in personal information of the employees to have some feedback of how are they and how they feel in the company. For this form, I would use the rating scales explained previously in the thesis. Also, even that the personal vision is important the team leaders should also fill the same forms that each employee has to fill to see if the vision of the employees and superiors is the same one.

Explained the appraisal documents, another recommendation is to do formal meetings between the supervisors and the employees. Even that communication does not seem a problem in JAUDA, Figure 3.6 and Figure 3.9, it is performed in an informal way. Some standard procedure should be designed to give some place for communicate. During the appraisal periods the managers should have meetings with the employees to comment the results obtained, give some feedback and discuss about it. This will serve to improve bad performances and find solutions to these problems. Also, will serve for the employees to feel valued and that their opinion matters.

I have been talking about the appraisal process, but I have not told how many of them should be done in one year. Taking in count that JAUDA is not used to this kind of procedures at the beginning I recommend them to do it twice a year, at the beginning the appraisal will be a slow process but after some years all of the participants will get used to it and it will be faster, then they will be able to increase the number of appraisals for one year.

Besides the appraisal, JAUDA should include a reward system for the employees. They already have some rewards for the managers and team leaders, but they do not have any for the workers. For the reward system, I recommend to use the appraisal method of management by objectives using the first form which is more focussed in the production. Actually, all the salary is variable, so for selecting the type of rewards that they should receive I would recommend some

little bonuses or pass some part of the salary into a fix one if they achieve some established goals. I would choose this type because the employees are not use to rewards so the clearer and more direct for them would be cash compensations.

I have mentioned goals in the last paragraph, and even that some employees believe that they have goals, I think that they confuse them with the production ratio that JAUDA told them that they must follow in order to get paid a certain amount. The goals should be specific for each employee or team. If the goal is for a team the reward should also be for the team.

For the conception of the goals, managers should decide which ones would be, and when the goals are established, do a meeting with the employees to explain the meaning of them. Also, managers should explain the relation between them and the rewards linked by management by objectives, and give them the opportunity to discuss them and give their opinion. Furthermore, the goals should include some aspects of the second form, the more personal one, and the reward can be also more personal for each employee, something not very big, just a small gesture with the employee,

Finally, performance management includes an enhancement program for all the employees. Managers should meet several times per year and look for new courses, activities or trainings which the employees could use. Some of them should be related with the tasks of the company, and other ones should be focussed in extra skills that they could benefit from.

One example could be give free lessons of English to the employees, this could be even used as a reward if the employees achieve some of the goals from the second form. If JAUDA follows these recommendations and have patient during the process, I think that they could start a good performance management model, but it is not going to be fast or even easy.

4. CONCLUSIONS

After doing this thesis I have reached the following conclusions.

Even that performance management is an old concept, it has a lot of potential and people should keep researching about it. Like I said before, the performance management in teams has still a lot of path to grow. Performance management is a powerful tool for the employer which if it is applied correctly in a company can help it to achieve a better performance.

Performance management allows the employer to improve the performance by involving the worker in the company. The employee must have the sentiment that he is an important part of the company, and that their actions matter in the outcome of the company. This membership concept, it is the key of performance management, and also the most difficult part of it. It is not easy to reach this state where the employees feel that they are part of the company. Sure, all the employees know that they are working in a certain company and that they form part of it, but it is not the same that they are involved with the company vision, goals, outcomes. Performance management tries to achieve that.

A lot of companies think that performance management is just the appraisal process, but it includes much more. Companies should make participate the employees in all the process and give them continuous feedback to make them part of the process. Besides, many of companies do not possess an enhancement program which is vital for performance management, if the employees gain new skills or competences it is clear that the final performance will increase.

Making a performance management model is not easy, and it does not exist the perfect one. At the end, all the models are adjusted to a specific company and all of them are run by people so objectivity and perfection are not possible.

My model in theory tries to include all the important aspects included in performance management, but like all of the systems is not perfect. Human error is always there, and it is not possible to eliminate it. Interpersonal relationships play an important role in it, and that kind of aspect is unpredictable. It is not possible to know how the employees and managers are going to interact between them.

Besides this, the model presented on the thesis possess all the components to make it a successful one. And, if it is followed and adapted to the specifications of the company I think that the results obtained with it are going to be good, performance will increase. But this will be only possible if all the company is involved with the project.

Finally, about JAUDA, the company has the intention to start to use a performance management model that they have to develop. JAUDA has the potential and resources to do it, they just must start to do it. A lot of effort from everybody in the company will be needed, but if they work together in the same direction I cannot see any critical problem that will make them fail.

JAUDA need to first understand the concept of performance management, start with the recommendations made in the thesis using the model designed and then customize it to their requirements. The most important thing that they should do is involve every one of the company in this new direction and also realize that performance management is a long and continuous process where the results are not shown immediately.

Main recommendations:

1. For developers of performance management: the researches should deepen the subject of performance management in teams.
2. For Latvia:
 - a. Change variable salaries policies.
 - b. Give rewards to the companies that present good plans of performance management.
3. For JAUDA:
 - a. Formalize the communication process.
 - b. Measure both the performance and emotional state of the employees.
 - c. Decide goals for each employee, allow them participate and give their opinion.
 - d. Establish a reward system based on the performance of the employees.

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APPENDICES

Appendix 1.: Part of the criteria table used in the paper Intra-utility performance management model (In-UPM) for the sustainability of small to medium sized water utilities, Husnain Haider, Rehan Sadiq, Solomon Tesfamariam, 2016

Performance objectives, performance measures (PMs), performance indicators (PIs), and data variables.

Generation 1 – performance objective	Generation 2 – primary PMs	Generation 3&4 – secondary PMs	Generation 5&6 – performance indicators	Data variables/Decision variables ³	Decision actions
P_{1,1,0}^{1,0} – Water resources and environmental sustainability	P_{1,1,1}^{2,1} – Source water protection P_{1,2,1}^{2,1} – Environmental Protection	P_{1,1,1}^{3,2} – Water resources management P_{1,1,1}^{4,1} – Restrictions, consumption, and management P_{1,2,2}^{3,2} – Impact of flushing water	P_{1,1,1}^{5,4} – WE1: Water restrictions (A6) ^b P_{1,2,1}^{5,4} – WE2: Residential water consumption (E1,A1) P_{1,4,1}^{5,4} – WE3: Existing water licence capacity (A1,A2) P_{1,3,2}^{5,2} – WE4: Discharge of WTP ^a residuals (A4,A5) P_{1,7,2}^{5,3} – WE5: Effect of flushing water on aquatic life (A7,A8) P_{1,3,1}^{5,2} – WE6: Implementation of water conservation plan P_{1,6,2}^{5,3} – WE7: Distance between flushing point and natural drain – length of storm-water drain (A12) P_{1,1,2}^{6,3} – FE1: Water rates (I2) (G7) P_{1,2,1}^{6,4} – PE8: Water resources and catchment management personnel (I2) (A1, B2) P_{1,3,1}^{6,3} – FE7: Non-revenue water (NRW) by volume (I2) (A1, A10) P_{2,4,3}^{3,1} – PE1: Field FTEs ⁴ – Distribution (D) (C1,B3) P_{2,3,3}^{3,1} – PE2: Field FTEs – Metering (M) (B5,C2) P_{2,6,4}^{4,3} – PE3: Lost hours due to field accidents (D) (B8,B9) P_{2,9,5}^{4,3} – PE4: Sick days per employee (D) (B1,B3)	A1: Average annual demand A2: Existing annual water licence capacity (WLC) A4: Amount of WTP residuals discharged into natural environment A5: Total residuals from WTP A6: Days with sprinkler regulations A7: Water volume in water body A8: Amount of flushing water A10: Revenue water A12: Distance between the flushing point and water body B2: Water resources and catchment management personnel E1: Total resident population G7: Water rate for typical residential connection	A6: Increase days of water restrictions A2: Apply for new water licences A4: Reduce or eliminate discharge of water treatment plant residuals A7: Perform flushing when flow in natural water bodies are high A8: Reduce amount of flushing water by optimizing flushing durations A12: Select flushing points located away from the natural water bodies as much as reasonably possible G7: Rationally increase water rates keeping the affordability in consideration A13: Increase implementation level of WCP
P_{2,1,0}^{1,0} – Personnel productivity	P_{2,1,1}^{2,1} – Personnel adequacy P_{2,2,1}^{2,1} – Personnel health and safety P_{2,3,1}^{2,1} – Working environment efficacy	P_{2,1,1}^{3,2} – Catchment and treatment employees P_{2,2,1}^{3,2} – Productivity ratio P_{2,3,1}^{3,2} – Metering and distribution employees P_{2,4,2}^{3,2} – Loss due to field accidents P_{2,5,2}^{3,2} – Personnel healthiness P_{2,6,3}^{3,2} – Overtime culture		A1: Average annual demand A9: Treated water supplied B1: Total personnel B2: Water resources & catchment personnel B3: field FTEs (D) B4: Field FTEs – Treatment (T) B5: Field FTEs – Metering (M)	B2: Optimize field FTEs for water resources and catchment management B3: Optimize field FTEs for distribution system operations B4: Optimize field FTEs for treatment plant operations B5: Optimize field FTEs for

Appendix 2.: Example of the current goals of JAUDA

	Uzņēmuma politika	VSR: 3.nod. 4.red
	Kvalitātes un vides pārvaldības sistēmas rokasgrāmata	Lpp: 105. no 110.
		Dat: 09.01.2012
Jūsu vēlmes, mūsu risinājumi!		Apstiprināja: J.Šimins
		Paraksts:

Kvalitātes politika

Misija: kvalitatīva, mūsdienīga, videi un cilvēkiem droša un ekonomiski pieejama produkcija, efektīva apkalpošana, kas balstīta uz jaunākajām tehnoloģijām, inovāciju, pakalpojumu optimizāciju, konkurētspēju un klientu apmierinātību.

Vīzija: Energofirma „Jauda” - zīmols, kuru pazīst un pieņem elektroenerģētikas biznesa pasaulē!

Mūsu pamatvērtības:

- **Orientēta uz klientu** – klientam labākie risinājumi, kvalitatīva izpilde saskaņotos termiņos. Klienta apmierinātība tiek noskaidrota pasūtījumu izpildes, kā arī iekārtu ekspluatācijas laikā;
- **Profesionalitāte** – darbinieki tiek izvēlēti pamatojoties uz profesionālo kompetenci un uzņēmību. Vadība veicina darbinieku profesionālas kompetences pilnveidošanu un profesionālo izaugsmi;
- **Atbildība** – darbu izpilde notiek, izmantojot pasaulē atzītu firmu materiālus, pārbaudītus piegādātājus, jaunākas pieejamās tehnoloģijas, ievērojot likumdošanas un standartu prasības;
- **Tradīcijas** – mūsu darbiniekiem, esošajiem un arī bijušajiem, ir piederības sajūta kolektīvam, savi svētki un izpalīdzīga roka grūtos brīžos.

Ar kvalitāti mēs saprotam:

- efektīvu vadības sistēmu, kas maksimāli samazina iespējamos riskus;
- regulāru darbības rādītāju analīzi, izmantojot tos mērķu noteikšanai un turpmākās darbības pilnveidošanai.

Kvalitātes politika tiek īstenota:

- pilnveidojot kvalitātes un vides pārvaldības sistēmu, pētot un analizējot vadības procesus, klientu apmierinātību;
- pilnveidojot tehnoloģijas, ieviešot inovācijas;
- izmantojot videi draudzīgus materiālus;
- rosinot darbiniekus nodrošināt pakalpojumu un produktu kvalitāti.

Mūsu kvalitātes devīze: „Jūsu vēlmes – mūsu risinājumi!”

Vides politika

Ar vides politiku mēs saprotam normatīvo aktu prasību izpildi, kas nodrošina vides aizsardzību, resursu taupīgu izlietošanu, darbinieku un klientu veselību un drošību.

Vides politika tiek īstenota:

- taupot dabas resursus un izejvielas;
- utilizējot atkritumus;
- kontrolējot un mērot darbības ietekmi uz vidi;
- izvēloties drošus materiālus, kurus iespējams pārstrādāt;
- organizējot drošus darba apstākļus un transporta pārvadājumus.

Lai nodrošinātu nepārtrauktu attīstību un uzlabojumus, mēs katru gadu izvirzām kvalitātes un vides pārvaldības sistēmas mērķus.

Kvalitātes un vides politika tiek īstenota visos uzņēmuma līmeņos un ar to tiek iepazīstināti visi darbinieki.

Jānis Šimins - A/S EF “JAUDA” prezidents

Appendix 3.: Questioner for employees

1. Which is your gender?
 - a. Male
 - b. Female
2. Which is the name of your company?
3. How long have you been working in the company?
 - a. 0 to 5 years
 - b. From 5 to 10 years
 - c. Longer than 10 years.
4. How long have you been in your actual position in the company?
 - a. 0 to 5 years
 - b. From 5 to 10 years
 - c. Longer than 10 years.
5. Which is your function in the company?
6. Do you think that the company is appraising your performance? Being 1 completely disagree and 5 completely agree with the previous statement.
 - a. 1
 - b. 2
 - c. 3
 - d. 4
 - e. 5
7. Do you think that do you have a good communication relationship with your supervisor?
 - a. 1
 - b. 2
 - c. 3
 - d. 4
 - e. 5
8. Do you have to present your performance outcomes to someone?

a. 1 b. 2 c. 3 d. 4 e. 5

9. Is the company offering you some kind of reward for having a good performance?

a. 1 b. 2 c. 3 d. 4 e. 5

10. Does the company give you some goals to achieve in a certain period?

a. 1 b. 2 c. 3 d. 4 e. 5

11. If in the last question, you answered 3 or more you must answer this one, if not skip it. Do you participate or can you give your opinion in the meetings where the goals are set?

a. 1 b. 2 c. 3 d. 4 e. 5

12. Do you think that you are performing a good job?

a. 1 b. 2 c. 3 d. 4 e. 5

13. Do you think that you should receive more credit for your actions?

a. 1 b. 2 c. 3 d. 4 e. 5

14. Do you usually work in a teamwork environment?

a. 1 b. 2 c. 3 d. 4 e. 5

15. Is the environment in your work very competitive?

a. 1 b. 2 c. 3 d. 4 e. 5

16. Does the company offer courses for employees to gain skills and knowledge?

17. Do you think that you are treated equally compared to you co-workers?

- a. 1 b. 2 c. 3 d. 4 e. 5

Appendix 4.: Questioner for managers

1. Which is your gender?

- a. Male b. Female

2. Which is the name of your company?

3. How long have you been working in the company?

- a. 0 to 5 years
b. From 5 to 10 years
c. Longer than 10 years.

4. How long have you been in your actual position in the company?

- a. 0 to 5 years
b. From 5 to 10 years
c. Longer than 10 years.

5. Which is your function in the company?

6. Do you perform some appraisal process towards the performance of your employees?

Being 1 completely disagree and 5 completely agree with the previous statement.

- a. 1 b. 2 c. 3 d. 4 e. 5

7. Do you think that do you have a good communication relationship with your employees?

- a. 1 b. 2 c. 3 d. 4 e. 5

8. Do you receive some kind of inform about your employees' performance?

a. 1 b. 2 c. 3 d. 4 e. 5

9. Do you offer some kind of reward for having a good performance to your employees? If the answer is positive which one.

10. Do you give any goals to your employees to achieve in a certain period?

a. 1 b. 2 c. 3 d. 4 e. 5

11. If in the last question, you answered 3 or more you must answer this one, if not skip it. Do you let the employees participate or give their opinion in the meetings where the goals are set?

a. 1 b. 2 c. 3 d. 4 e. 5

12. Do you think that you are performing a good performance management process?

a. 1 b. 2 c. 3 d. 4 e. 5

13. Do you think that you should give more credit for the actions your employees?

a. 1 b. 2 c. 3 d. 4 e. 5

14. Do you usually make your employees work in a teamwork environment?

a. 1 b. 2 c. 3 d. 4 e. 5

15. Is the environment in your work very competitive?

a. 1 b. 2 c. 3 d. 4 e. 5

16. Do you offer courses for the employees to gain skills and knowledge?

17. Do you think that you treat equally your personnel?

a. 1 b. 2 c. 3 d. 4 e. 5